



AUGUST • 1933 Codes for Business and What's in Them—Some Questions Raised by the Bank Bill—Recovery and the Retailer

DUBLISHED BY THE CHAMBER OF COMMERCE OF THE UNITED STATES

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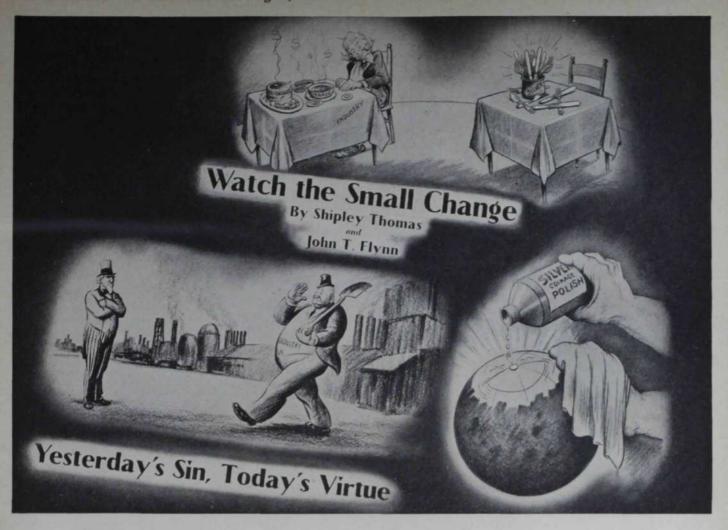
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"Yesterday's Sin—Today's Virtue" as Collier's points out in an editorial in the July 22nd issue on the Industrial Recovery Law. The old rules must be constantly rewritten—the old games modernized—new players developed.

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They have broken plenty of publishing precedents—slaughtered many a sacred cow. And they have helped to create for Collier's a new leadership among magazines by attracting the keen, open-minded, alert citizens in every community who are making things move in this America.

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Otto Paust

1883 "WORLD'S LARGEST WATER DEVELOPERS" 1933

"DELIVER BY THE 10TH"

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From Seattle to Sydney, merchandise stocks are low. From Bagdad to Buenos Aires, buyers are saying: "I'll sign if you'll guarantee delivery by the 10th."

Today, any breakdown or slowing-up of plant equipment may result in cancellations. That is one important reason why most leading plants in 48 States and 63 foreign countries use Gargoyle Lubricants.

The Socony-Vacuum Corporation helps industry avoid unexpected shutdowns by supplying, worldwide, the correct lubricants for every type of equipment made. Records show, moreover, that wherever Gargoyle Lubricants are used, substantially lower operating costs result. Less power consumption . . . reduced maintenance and repair expense . . . lower

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Through the EDITOR'S SPECS

Crowds in Washington

WASHINGTON these last few weeks has had almost a war-time appearance. Hotel dining rooms are filled with earnest luncheon and dinner conferences and committees are meeting on every floor. Ride up in an elevator and you'll hear something like this: "But we must name a chairman this afternoon and have some sort of a code outlined within 48 hours."

The Industrial Recovery Act brings many, perhaps most of them, but the Agricultural Act, the new Banking Act, the Securities Act, have all helped to drag the crowds to Washington.

And don't forget the Public Works part of the Recovery Act. The construction industry has been through lean days and the prospect of two or three billions of government spending is helping to fill Washington with men who have a keen eye on contracts.

"What sort of a fellow is So and So and how do you get to see him?" is the familiar

As for the group of men who are administering these acts, they're as easy to see as the Grand Lama. Their ante-rooms are filled with people who overflow into the

Withal the visitors are hopeful, even optimistic. I have been amazed at the spirit in which business men have accepted the new legislation. Even those who are opposed to the spirit of some of the new laws, who are doubtful as to the wisdom of increasing government control over industry, who see danger in a stronger centralization of power in Washington, are saying:

"Let's try to make the new ideas work. They're on the statute books and it's no time to oppose or to sulk."

Cash business

A MIDWEST manufacturer dropped in, told what his industry was doing under the Recovery Act and then voiced this opinion

NATION'S BUSINESS

VOLUME 21



NUMBER 8

* for August • 1933

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Joseph Sinel

"Give the artist designer an opportunity to exercise his faculties in the best way known to him, then these designed products will have better sales response."

MR. SINEL also states "The mechanization of industry demands rational forms to meet machine processes. Old forms are too expensive to reproduce. Manufacturers who realize this use the services of artist designers to good advantage."

When called upon to design the products of industry one of the first interests of the designer is the types of materials to be used. Of these one of the most favored is Bakelite Molded. Line, form, color, surface, texture, - all these are greatly aided by the use of this material. Texture and surface forms are important to the hand as well as the eye. The pleasant feel of Bakelite Molded is one of its chief values.

Many instances may be cited where redesign and the use of Bakelite Materials have brought about a notable increase in sales. Whatever your particular product may be, it is probable that the use of one of the several Bakelite Materials would improve quality, appearance or performance, and correspondingly benefit sales. We would be glad to have you consult us at any time, and also send for illustrated booklet 1M, "Bakelite Molded."

JOSEPH SINEL, 48 Washington Mews, New York, N. Y. has earned a wide reputation for effective product design. One of the first artists to enter this field, he has a long list of successes to his credit. These include the "Acousticons" shown on this page, and widely varied products as gasoline pumps, cameras, truck bodies and scales.



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BAKELITE

HE MATERIAL OF A THOUSAND

of the future of business in this country;

"I think we shall see business much more nearly on a cash basis in the future. I don't mean only in buying material and selling our product, but in our relation to our shareholders. I don't think that my own company, and I'm speaking, I believe, for many manufacturers, will ever again pay dividends out of surplus. When we go into the red we shall say to the stockholders, When we earned money we distributed it. We didn't earn money this year and we shall not pay dividends.'

"The reverse will be less inclination to add unreasonably to surplus as I believe many companies did. We shall pay out more liberally as our earnings grow.

"One thing that leads me to feel that way is that it's pretty hard to cut down wages and go on paying dividends. The employee doesn't quite understand it."

New business

IT ISN'T so much the nature of the product as it is the quality of the motivating idea. This thought comes to mind with the growth of the baitworm industry at Arlington, Kan. Young Charles Welborn, Jr., was stumped when he tried to get on a pay roll. Nobody needed help. So he decided to help himself. He began to look around for unsatisfied wants. He saw folks going fishing. Was anybody doing anything to supply the worms? Why not start a "vermifarm"-or whatever a place for worm culture is called? That question became a purpose and a business. Now he sells bait to buyers from coast to coast. Possibly here is an experience to revise the Ciceronian commentary, "no one sees what is before his feet; we all gaze at the stars.'

A social conscience

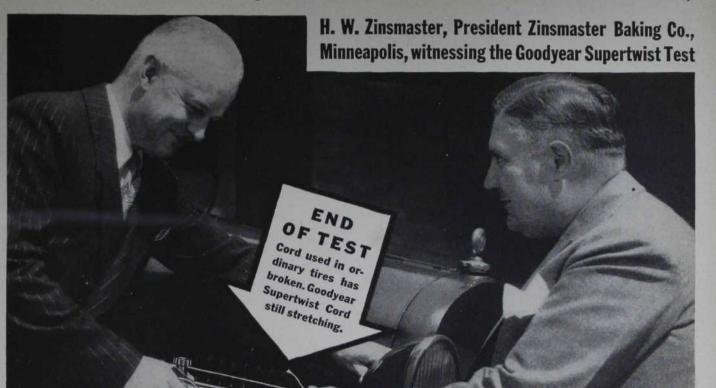
IN THESE days when "whereases" seem the proper prelude to every exchange of business experience, there is a salty reminder of the hard way of the trail blazer in Henry Ford's public declaration that:

"We pioneered the eight-hour day, the five-day week, a minimum wage that has always exceeded the market rate. Relations between employees and the Company have always stood on a just and human basis. We are interested in social progress, and possess as sensitive a social conscience as any reformer whose theories have never met the test of a pay roll. We pay for doing what we think is right. And we achieved these industrial decencies not by regulation or compulsion, but by being free of financial control and gentlemen's agreementsfree to do what we saw was right and necessary.'

The simplification of ideas can be carried to dubious extremes, yet it is possible to believe that a whole social and political philosophy could be distilled from these two sentences, "Industry never harms a country; harm comes from elsewhere. . . . Between making and using things, something outside industry has stepped in to prevent the maker from making and the user from using."

Protector of minorities

A REMARKABLE man died not long ago in New York. His name was Clarence Herbert Venner. He was said to have made



"Look at THAT!

No wonder our trucks are on GOODYEARS!"

Two cotton cords... They look alike... but see how differently they act when put in the little torture machine!

The cords are hooked up, the crank is turned, the cords are stretched. And then relaxed. SEE? The cord used in most competitive tires does not rebound after stretching. It droops—licked, and knows it. But the Supertwist Cord, used in Goodyear Tires, is so full of life that it rises right back.

O.K. Crank again. PING! goes the other cord—broken, finished. But there's the Goodyear Supertwist Cord—stretching, stretching, s-t-r-e-t-c-h-i-n-g—up to 61% farther.

The Zinsmaster Baking Co., operating fleets in Minneapolis, St. Paul, Duluth-Superior and Hibbing, has tried out 23 makes of tires in comparison with Goodyears. Result—now changing to 100% Goodyear. Reason—best mileage, longest wear, lowest cost per mile.

No wonder Mr. Zinsmaster popped out his "Look at THAT!"

Arthur Randall, Goodyear Dealer, demonstrating.

The life of a tire depends upon these inner cords. If they sag and break under the strain and heat of 25,000 stretchings an hour on the road, they are through. But Supertwist Cord, with which Goodyears are bodied, gives you double protection against blowouts: It stretches and relaxes without breaking—and the rubber of every ply, in which the cords are imbedded, is specially treated to resist heat. Hence you get more miles and lowest cost miles in Goodyear All-Weather Balloons.

You can't see the inside of a tire. But you CAN see the Supertwist Test that makes everything plain. Where? At any Goodyear Dealer's. It takes three minutes. Even if you have only one truck, what you'll learn ought to be worth at least a hundred dollars a minute.

GOOD YEAR

MORE TONS ARE HAULED ON GOODYEAR TRUCK TIRES THAN ON ANY OTHER KIND

DANDRYANHRUMARANN CHRISTON IN BURYWATER CONTINUE ON THE



The Ticket Agent of any Railroad Can Route You on the Chesapeake and Ohio Insist upon it!

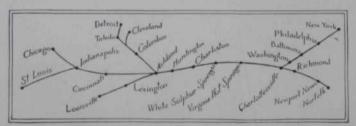
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circulation night and day. Passengers who have once traveled on Chesapeake and Ohio need no urging to route their future trips on this line. But on the chance that there are still some Nation's Business readers who haven't experienced the air-conditioned comfort now provided on all our thru trains-we suggest that you route your next trip via Chesapeake and Ohio. There is no extra fare.

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a fortune from law suits as a minority stockholder against some of the greatest corporations in the country. Although he was the head of a brokerage house, he was known best as an almost constant litigant, fighting such corporations as the Inter-borough Rapid Transit Company, The United States Steel Corporation, the New York Life Insurance Company, the New York Central Railroad, Bethlehem Steel Corporation, the New Haven Railroad.

He fought J. P. Morgan & Company Kidder Peabody & Company, James J. Hill and August Belmont, the American Telephone & Telegraph Company, the Atchison Topeka & Santa Fe, and the Union Pacific until he became known as the minority stockholder extraordinary and was called 'the most capable witness in the city of

When asked why he opposed so many corporate plans, he replied, "You see, the average stockholder's proxy means nothing. He sends it slavishly at the call of his directors. His act does not mean that he has studied the question involved, or that he has any understanding of it.

"I am not a stockholder of this kind. I make it my business to be informed and I conceive it to be my duty not only to protect my own interests but those of unthink-

ing minority security owners."

The average stockholder is hard to visualize.

It was said of Mr. Venner that he often knew more about the affairs of a corporation than its directors.

Fear and recovery

THE Plain Talker stopped on our threshold. His face looked a bit longer, "We're not out of the woods yet," he said. "We're still fear ridden. We shook off some of our bogeys, but they have been replaced with a new crop. Until March there was fear of the banking situation, of more deflation, of a breakdown in the debt structure of the nation. Now there is developing a fear for the currency, fear of empty dealers' shelves, fear that prices, once up, cannot be kept up except by resorting to the monetary printing press, and fear that a new set of maladjustments will be superimposed on old ones that have not been eradicated."

Fear, the proverb says, is a great inventor. A rope coiled in the shadows spells danger to every man bit by a serpent.

A successful small business

NO MATTER who started the mouse trap story, its truth goes marching on. People do find the way to the things they want. It just happens that Charles Eberling of Cleveland instead of mouse traps makes machines which can press slack coal into bricks-at the same time automatically wrapping them in paper, a novelty in household fuels.

Turning out these machines keeps his little backyard factory busy. It used to produce concrete mixers. The demand collapsed. Eberling wouldn't give up. He put on his thinking cap. "I had to hunt for something else to make," he explains. The coal machine was the sustaining answer. Business flourished in the tiny plant back of the high board fence.

It's all simple enough as the proprietor

tells it. "I haven't any time clocks, nor clerks, nor stenographers, nor bosses, nor superintendents, but I get along fine. My products go out to all parts of the country, and I keep out of the red. I dare say last year was the best we've ever had. Folks sometimes wonder how they ever find me in this little place, but they do. We tackle some pretty big problems here. All my seven employees were hired when they were young men and I trained them. They're still on war wages and don't know what a pay cut is."

However learned and logical may be debate on the significance of the unit size in trade and industry, no one is likely to grudge Mr. Eberling an expansive smile when the experts start talking about the advantages of big business and large scale

industry.

On Congressional panaceas

THE name of Sherman has been much in the news. That the workings of the depression should make a later generation curious about the father of the antitrust laws is not surprising.

But to read now what another Sherman wrote in 1866 carries its own accent of startling timeliness. When Andrew Johnson was president, the peace-loving warrior wrote

... if all hands would stop talking and writing, and let the sun shine and the rains fall for two or three years, we would be nearer reconstruction than we are likely to be with the three and four hundred statesmen trying to legislate amid the prejudices begotten for four centuries.

and how many business men today are thinking what Sherman thought 67 years ago,

My opinion is, the country is being doctored to death, and if President and Congress would go to sleep like Rip Van Winkle, the country would go on under natural influences and recover far faster than under their joint and several treatment.

Limiting salaries

SAID a visitor:

"I wonder more attention hasn't been paid to the proposals Congress made to limit the salaries of business executives. They seem to have fixed \$17,500 as about all a corporation employee ought to get. I don't know whether they figure that any man can live on that or whether they've decided that's all any man's worth. Or perhaps they just say to themselves: 'We've had a cut, let someone else try it.'

"Anyway," he went on, "I'm reminded of the colored man who applied for a job and was very insistent on knowing what the job would pay. Finally the employer-to-be

said:

"'Don't worry. I'll see that you get every cent you're worth.'

"And the applicant answered:

"'Boss, I guess I ain't interested in this job. I'm gettin' that much now.'

"Perhaps Congress thinks that business executives are 'gettin' that much now.'"

MT.

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But you can't see light being wasted expensively—as it is right now in so many businesses. That's why General Electric's Lighting Research specialists pass along these money-saving facts about light:

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- 2. Dark walls and ceilings eat up light. Some grays, for example, eat up as much as 68% of the light.
- 3. Voltage of lamps should be in exact step with voltage of the lighting circuit. If it isn't, you'll either get less light than you should or your bulbs will burn out too soon. Your

lighting company will be glad to check this for you.

4. Good lamps don't waste current. Inferior lamps do. Make sure only good bulbs of standard make are in every socket. It pays. You can take all the guesswork out of lamp-buying by looking for the General Electric monogram

Faulty illumination is a direct or contributing cause of 25% of all industrial accidents. That's why we suggest you route this information to those responsible for your lighting.

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CONDENSED STATEMENT OF CONDITION

At the close of business, June 30, 1933

RESOURCES

Cash on Hand, in Federal Reserve Bank and Due

from Banks and Bankers \$77,235,130.69 United States Government

Securities 85,051,760.80 Other Bonds and Securities 40,569,769.45

Loans and Bills Purchased. 110,339,042.04 Real Estate, Bonds and

Mortgages Customers' Liability for Acceptances and Letters

of Credit 11,946,833.45 Accrued Interest and Other Resources

Liability of Others on Acceptances, etc., Sold with Our Endorsement

2,926,182.15

6,051,193,44

748,402.06 \$334,868,314.08

LIABILITIES

Capital . \$12,500,000.00 Surplus 20,000,000.00

Undivided

Profits 1,694,456.18 \$34,194,456.18

Reserves:

For Contingencies . . 11,000,000.00 For Taxes, Interest, etc... 3,654,134.88

Deposits . 236,171,607.93

Outstanding

Checks 36,285,932.20 272,457,540.13

Dividend Payable June 30,

625,000.00 1933 . .

Acceptances and Letters of

Credit . 12,188,780.83

Acceptances, etc., Sold with Our Endorsement

748,402.06

\$334,868,314.08

Member of the Federal Reserve System and of the New York Clearing House Association

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NATION'S BUSINESS



A MAGAZINE FOR BUSINESS MEN

Men-Not Measures

IT IS no unfriendly commentary to suggest that history will suspend judgment of the "new deal" until results are in evidence. In a manner of saying we now have laws for putting everything to rights in a topsyturvy world. When he signed the Industrial Recovery Act, the President said that "history would probably regard it as the most important and far-reaching legislation ever enacted by the American Congress."

Critics of the new order of things are skeptical of the leadership on which it must depend. They say that when mistakes are made they will be on such a large scale that the cost will be ruinous. It is true that everything will turn upon the way in which the emergency acts are administered. Mr. Roosevelt himself frankly admits that his program cannot succeed unless it has "the whole-hearted cooperation of industry, labor and every citizen of the nation."

To fill such an order will test citizenship to the full. The comprehensive quality of the legislation is at once its strength and its weakness. All our economic ills have been diagnosed and prescribed for. Not the least of the interest which inheres in the revising body of legislation is traceable to the celerity of congressional action. Ordinarily the mills on Capitol Hill would require three or four years to grind out such a grist.

Awesome as may be the weight of this bumper crop of new laws, the attempt to give them meaning and effect must ultimately be conditioned on their administration. Men, rather than measures, will decide the success or failure of the great experiment. To say that the President's powers comprise a greater authority than was ever before lodged in the hands of a peacetime executive is to dimension the test of his wisdom.

In the exercise of his prodigious trust he must not only deal directly with the riddle of recovery; but he must also manage to protect the national heritage—that "complex of institutions and customs, political, social, and moral, at the foundations of American life." It has been well and truly said that there can be no victory that sacrifices or alters them.

The responsibilities placed upon the President are too heavy for the shoulders of any one man were he the Atlas of the modern world. It is in this necessity for delegation of the burden that danger lies. If the President confides his authority to unimpeachable leadership, the country will accept his selections in the faith that his intention is not to remake but to restore America. It is fair to assume that the President will scale his choice of lieutenants to the caliber of the great objectives he has marked out for attainment. To fill the key positions with political hacks or too many theorists would scuttle the ship of state before she could leave her dock.

It may be too much to expect that politics should ever be adjourned. Yet if the people are to give their wholehearted cooperation they have a right to expect that partisan absolutism will be barred in naming the sub-administrators of the "new deal." Deviation from this course would signify an arrogant contempt for the competency of a democracy. In a very real sense it would serve notice on the people that ahead of them lies not the U. S. A. of their hopes, but a transplanted U. S. S. R.

The remoteness of this contingency is a comforting thought. Whatever doubts disturb the national peace of mind, it should go without saying that patriotism will always transcend party labels. The plain duty of every American is to lend a hand in putting the job across. To prejudge pessimistically what has been set up devotedly and sincerely out of the nation's travail would be the poorest sportsmanship.

Merce Thorpe

Way Down East the Mystery Machines are Spinning the NEW

Solka Yarn

Men marvel at the "Mystery Machines" that spin the SOLKA Yarn, in our Berlin, New Hampshire mills. Only the Brown Company's executive staff knows what magical new scientific processes are hidden within them.



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ONCO FOR SHOES—Fine Shoemaking materials are created from SOLKA as a base—Onco Upper Stock, Innersoles, Counters, etc.

SOLKA THE BASE OF MANY PRODUCTS IN MANY FIELDS

The onlooker can see one end of the machines drink up the Solka base — the purified cellulose wrested from simple vegetable life by Brown Company's patented process. He can watch the pure, spun Solka Yarn pour forth at the other end at 60 miles per hour. Yarn with extraordinary strength, with great absorptive power, with practically no stretch or shrinkage. This yarn takes dyes all through, assuring lasting, brilliant colors. It absorbs lacquers and waterproofing to a high degree, giving permanence.

The whole process is secret. But there is no mystery about the advantages of SOLKA

Yarn. Already, the textile industry is vastly excited. Solka Yarn is going into rugs, draperies, upholstery and wearing apparel. Solka Yarn has arrived. New uses for it are being found daily.

Each decade now sees science perfecting an outstanding achievement. In this, it is SOLKA, the purified cellulose. SOLKA that, as a basic product, is bringing betterment to a host of finished products in many lines.

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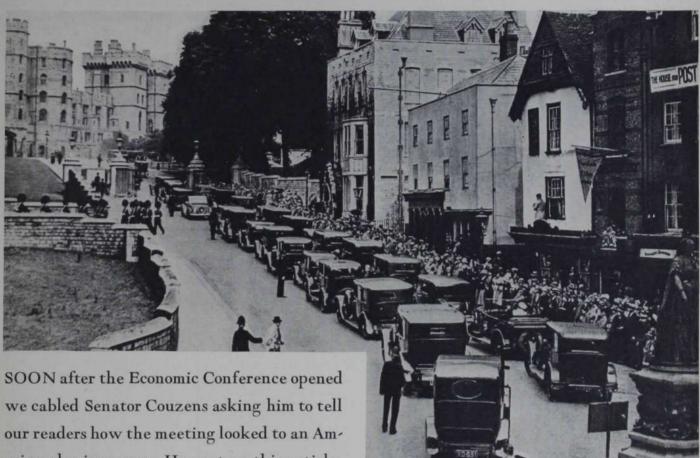
NATION'S BUSINESS

August • 1933

* * *

When Nations Talk Business

By SEN. JAMES COUZENS Delegate to the World Economic Conference



KEYSTONE VIEW CO.

The delegates, in modern motor cars, arrive at Windsor Castle, built in the Thirteenth Century

we cabled Senator Couzens asking him to tell our readers how the meeting looked to an American business man. He sent us this article. It was written late in June, when discussion of world currencies threatened to break up the conference. This article shows some of the difficulties the conference faced and gives a first-hand appraisal of its accomplishments

MY experience as a delegate in the World Economic Conference has left me more than ever convinced that world recovery must be built from the bottom up, rather than from the top down. In other words, I am convinced that a great mass meeting of 66 nations such as is assembled in London—dominated, as it is bound to be, by the conflicting nationalistic aims and aspirations of its members—can do comparatively little to lift the world out of depression and that the real hope lies in just such nationalistic

effort to restore commodity prices and purchasing power as is going on now in the United States. In the long run of course these efforts by individual nations might be coordinated, but this in the main must be brought about by piecemeal negotiations and on a basis of mutual interest respecting the specific problems of trade as they arise.

In line with this same thought, the supreme essential is the restoration of purchasing power, which means the relief of unemployment and the raising of wage levels. I have been surprised at how little this phase of the problem is being stressed in the conference. The German delegates have impressed me with their understanding of it. They have placed their major emphasis on the necessity of strengthening consuming power. The chief Russian delegate, Mr. Litvinof, likewise stressed it in his assertion that his country was pre-

pared to buy a billion dollars worth of foreign capital goods if credit was established or an exchange of goods allowed by which they could pay for them.

Higher prices

ASIDE from these two, the emphasis constantly has been placed on the need of increased prices and of a restoration of credit which seems to me to be putting the cart before the horse. There can be no stable increase in prices except as this is supported by increased employment, higher wages and increased consumption.

The president of one of the largest American industrial corporations met me in London the other day and told me he was being urged to approve a ten per cent general increase in wages for his employees.

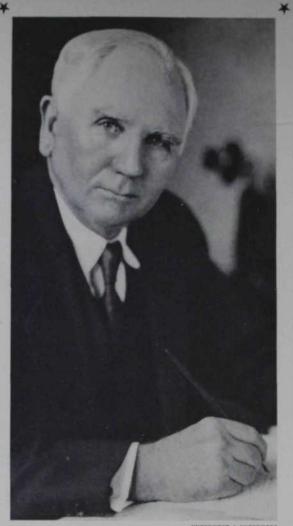
"I can't see how we can increase wages until we get back to mass production," he said.

"Of course you are wrong," I said. "You can never get back to mass production until you and others increase wages. The only thing that will restore mass production is mass consumption."

On this same line I have been impressed with the degree to which the efforts here are inspired by a desire to help out the creditor class. The supreme aim is to collect debts and this is what a majority of the statesmen have in mind when they talk about increase in prices. If the farmer gets more for his wheat, his wool or his coffee, he will pay off his mortgage to the bank. If there is a general rise in commodity prices throughout the world it may

make the international debts, both public and private, more payable. These are the thoughts that seem to me to dominate most of the statesmen, economic experts and bankers assembled in London. Rarely do they mention wages, consuming power, or the obvious necessity of better distribution of the world's wealth.

It is important, of course, that the debt burden be relieved. The thing that originally made me an inflationist was the belief that a way must be found to pay off debts with dollars of the same comparative value as when the debts were contracted. But reduction in debts, as I see it now, is not the major purpose of the program upon which we Americans have embarked. The improvement in industry and agriculture, which President Roosevelt has stimulated, can only succeed in the long run to the extent that unemployment is lessened and wages increased. Unless wages rise in a degree at least equal to the rise in prices, the effect obviously will



UNDERWOOD & UNDERWOOD

E. L. Davis
Federal Trade Commissioner

His new job will involve enforcement of the Securities Act. He is a brother of Norman Davis and of Paul Davis, a banker in Nashville. He studied law at Vanderbilt University and at George Washington University, beginning practice at Tullahoma, Tenn., his birthplace. Served as Judge of the Seventh Judicial Circuit Court of Tennessee and as Congressman from 1919 to 1933. In the House he led the fight against the Ship Subsidy Bill. Has been a director of the Traders National Bank, of Tullahoma.

be to lower rather than increase the living standards and the purchasing power of the workers. In this connection it is important to add that those prices, as respects which there has been little drop during the depression, should not be increased now. There are a multitude of commodities and services the costs of which have not materially changed since 1929.

It was because the improvement in the United States has not yet been reflected in a commensurate rise in employment and wages that I strongly opposed the proposal to effect an immediate stabilization as between the dollar, the pound and the franc. It was clear to me that the price stimulation process in the United States had not proceeded to the point where it could be checked without loss of a large part and perhaps all of the ground gained.

More buying power

IF, on the other hand, this process is carried on, let us say, until wheat is at one dollar a bushel and cotton at 12 cents a pound and if, in the meantime, there is a substantial rise in wages and a reduction of unemployment, it seems to me that we will have created the increase in buying power which alone can give us a permanent improvement in conditions.

This, as I conceive it, is the basic philosophy which is guiding President Roosevelt. If he carries it out consistently and fearlessly I believe he will do far more toward lifting the world out of the economic doldrums than could be accomplished by any

sort of international action. Example is much better than resolutions or paper agreements.

Europe's first reaction to the suggestion that the United States had turned to "inflation" was justly one of alarm because Europe's idea of "inflation," based on the experience here in the years after the war, is something entirely different from what we are practicing.

We have not resorted to the issue of paper money, and the gold coverage of our currency, due to the efforts of the Treasury to bring gold out of hoarding, actually has increased. All we have done is to stop gold payments at home and in support of the dollar abroad and simultaneously to announce a policy of boosting prices to the level of 1926. The effects so far seem to me mainly psychological. If we can accomplish this much by mere pronouncement what may be the possibilities of a real program of national planning and control of industry? Europe now has begun to sense that

what is going on in the United States is something different. I have been impressed, for example, by the way every dispatch telling of increases in wages by this or that concern in the United States is displayed on the front pages of the more popular British newspapers and the alarm these publications cause among the government officials.

The policy for meeting the depression in Great Britain and the leading nations of Europe has been largely deflationary -represented in England, for example, by a determined effort to keep the governmental budget balanced, reduction in doles, and so on. The theory seems to have been that, if individual nations could put their financial houses in order and hang on long enough, the depression would solve itself. There has been little effort to stimulate employment or increase buying power.

For example, one British official told me that, in making a limited appropriation for public works construction it was calculated that each 1,000,000 pounds of expenditure would give a year's work to 5,000 men. In actual practice, he said, the payments to labor on this program had been so whittled

down by economies as to employ only 3,800 men per million pounds of expenditure.

There you have the two theories meeting head on. The public works program was conceived primarily to provide employment in lieu of the dole, but due to the simultaneous demand for a balanced budget and the economies practiced by the contractors in their own interests, the labor cost was so reduced as to make its benefits negligible either in relieving unemployment or increasing purchasing power.

Setting an example

THE thing which just now seems to impress Europe is that President Roosevelt has taken hold of the job of raising wages and prices as a means of providing more purchasing power in a really big way. If this experiment in the United States is successful it certainly will be copied in many other countries and that is what I mean when I say that we may accomplish much toward lifting the world out of depression by going forward in our own way.

The World Conference was convened at an unfortunate time. It should be remembered that its agenda was prepared last January at a time when deflation, a balanced budget, and maintenance of the gold standard unimpaired were the fundamentals of American policy. Under these conditions our interest clearly was in persuading other nations, as far as possible, to return to gold.

Then came the banking crisis in the United States, followed by the conviction that we could not afford to wait for the depression to work itself out by natural processes. President Roosevelt instituted a great program for stimulating prices and wages and the nation's purchasing power.

This new policy in the United States is in direct conflict with the principal ends proposed to be accomplished in the Economic Conference and I see no reason why we should not admit this frankly. We cannot agree to a stabilization of currencies which would require us to hold the dollar at a fixed value abroad without interfering with the process of reducing the value of currency, in relation to commodities, at home. Nor can we boost wages and with them production costs, thus placing our workingmen at an added disadvantage in competition with the cheaper foreign labor, and at the same time agree to reduce tariffs or even to hold them at present levels. Some may have to be increased.

In pursuing this course we are not unfair to other countries because they can adopt similar measures if they see fit.

My experience in London has convinced me that an international conference-and particularly one of practically all nations-never can be anything more than a huge debat-

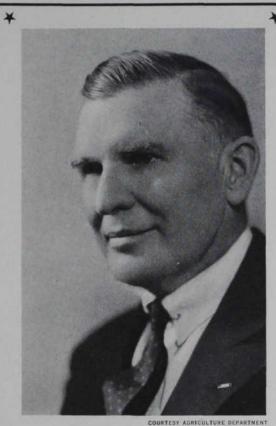
ing society.

First of all there are no votes. Things must be done by unanimous consent or not at all. The process is simply to keep talking and changing the text of the resolutions under discussion until everybody is satisfied. Obviously, when 66 nations are concerned, there isn't much left in

You cannot interrupt a delegate and ask him what he means or argue with him. One day a British delegate makes a speech outlining a complete policy for the conference. Several days later a Netherlands delegate arises and propounds a long list of questions, plainly designed to find out what the British spokesman meant. After three or four days, the British delegate may or may not answer his interrogator but by that time, unless you are very attentive, you have forgotten what was said in the two previous speeches.

Then there is the business of interpreters. Each speech, each announcement must be translated. Half the time of the meeting is duplication. Add to these things the fact that each week-end in Europe comprises the best part of three days and some of the difficulties may be realized.

Despite all of which, this meeting may prove of considerable value. There is no reason why it should not provide some machinery to keep before the peoples of the world a constant picture of the international and monetary situation and to deal with technical questions related to international exchange as they arise. If it does even this much it cannot be counted a failure.



George N. Peek Administrator of the Agricultural Adjustment

Has preached farm relief for ten years and, in 1924, discontinued active direction of the Moline (Ill.) Plow Company to become president of the American Council of Agriculture and devote his time to farm problems. Before that he was associated with Bernard Baruch and with General Johnson. With the latter, he published a book, "Equity for Agriculture." Later he served as chairman of the Executive Committee of 22, acting for the North Central State Agricultural Conference. He was one of the group which, in 1929, organized National Cornstalk Processes, Inc., for commercial development of processes for converting farm wastes. Was a member of the War Industries Board.



Dudley Cates

Edward F. McGrady

Gen. Hugh S. Johnson

GENERAL JOHNSON, Administrator of the Industrial Recovery Act, ran away at 15 to get into the Spanish-American War. Sent home, he went to West Point. As a lieutenant he served as quartermaster and helped administer relief after the San Francisco earthquake. As a captain of cavalry he went with Pershing after Villa. As aide to General Crowder he conceived and wrote the wartime Selective Draft Act. He retired from the Army in 1919 as a Brigadier General and became associated with George N. Peek in the manufacture of farm implements. Has been associated with Bernard Baruch and is highly rated as a statistician. When difficulties of his present job are pointed out he says, "I can take it." People who know him agree that he can.

MR. CATES, Assistant for Industry, was secretary of the Capital Issues Committee in Washington during the war, coming here from San Francisco where he had engaged in banking. Recently he has been vice president of March & McLennan, Chicago insurance firm.

MR. McGRADY, Assistant for Labor, is one of the most effective spokesmen and most popular men in the labor movement. Before becoming a legislative representative for the American Federation of Labor-a post he has held for 15 years-he had been a newspaper printer, an alderman in Boston and a member of the Massachusetts legislature. He has founded homes, schools and similar institutions for labor people and has enjoyed the confidence of three Administrations. At the Hoover dinner to Ramsay MacDonald, he was the only labor representative.

rightness, from fear of the possible cost of inaction or simply from the urge to do what others are doing, industry is moving toward the basis of operations contemplated in the National Industrial Recovery Act.

The announced purposes of that Act are to remove obstructions to the free flow of commerce; provide for the organization of industry for cooperative action; to obtain united action of labor and management; to eliminate unfair competitive practices; to reduce unemployment and otherwise to rehabilitate industry.

To accomplish these purposes the Act provides that each industry shall operate under a code of fair competition, drawn up by members of the industry

WHETHER from belief in its and approved by the Government. The immediate result of this program is the establishment of a new and entirely different social order. Business men find themselves compelled to adopt new social and economic ideas. They are being transformed into a coordinated entity for mass action to shorten hours and raise wages, with the interest of industry as a whole recognized as paramount to that of the individual business.

It would have been unreasonable to expect that these new ideas could be suddenly put into force without some confusion or that new scales of hours and wages could be adopted in all industries with equal rapidity.

As this is written about mid-July the early momentum with which the system got under way has slowed down. Under

Industry

this original impetus, it was unofficially reported, more than 100 codes were presented for examination and many times that number were being whipped into shape.

This loss of momentum resulted in a governmental stimulus in the shape of an announcement by Gen. Hugh S. Johnson, industrial administrator, that the "big stick" might be swung to keep things moving.

He was reported to be studying the possibility of a blanket code, establishing a 35-hour week and a \$14 minimum wage for all industries.

Whether or not this step may prove necessary, early developments indicated that most industries were willing to try the new plan. In the first few weeks after the Recovery Act became a law, the question most generally asked was not, "Can they make us come in?" but rather "Will they let us in?" For at least a short time there seemed to be some question whether the machinery for the scrutiny and approval of codes could keep pace with their presentation.

A race for approval

NOT only the interstate fabricating industries but the retailing and jobbing lines and such non-industrial businesses as funeral parlors were asking if they are eligible to draw up codes.

This early eagerness to participate resulted in the preparation of codes by local groups in several industries. It is intimated that these local codes have little chance of acceptance.

Although the Act does not expressly exclude submission of codes by local or state groups, the consideration and approval of hundreds, or thousands, of such codes seem impracticable. Most industries whose local groups are organized also have a national organization. The local and state groups constitute vital agencies for the preparation, submission and enforcement of national codes but, it appears, they will do better to work with their national organization rather than submit their individual proposals to the Recovery Administration.

Local groups which have prepared codes have, however, not been wasting their time. It is possible that, before the end of the two-year period for which this act was created, several legisla-

Tries the New Deal

ALTHOUGH many problems remain to be solved, the Industrial Recovery Act is in effect and recent events indicate that many of the fears voiced in the beginning may prove groundless

tures may pass state laws similar to the National Recovery Act. Such bills have already been introduced in Wisconsin and Ohio.

All that, of course, is in the future. At the moment attention is riveted on the events of the day, on specific questions of policy and administration, the meaning of particular clauses of the Act, on the terms to be written into particular codes.

Some of the uncertainties, notably those as to the procedure of the hearings on the codes were settled at the first such hearing; that on the code presented by the cotton textile industry.

As a result of long hours of cooperative labor between employers, employees' representatives and the Government that code was filed with the Recovery Administration a few hours after the Recovery Act was signed. The hearing upon its provisions drew an interested audience not only from the cotton textile industry but from other industries which were drawing up codes or had submitted codes or were undecided whether they should draw up codes or not. All of them were eager to see the hearing procedure as revealed at this first hearing.

As the early comers gathered before the locked doors of the Commerce Department Auditorium where the hear-

Col. Donald H. Sawyer KEY

Will take temporary charge of the \$3,300,000,000 worth of public works specified under the Recovery Act. Began practice as a civil engineer in 1902 and by 1904 was chief engineer for the Illinois Traction System. During the war he built cantonments, serving in the Construction Division, and is still a colonel in the Quartermaster Reserve. In 1931 President Hoover made him director of the Federal Employment Stabilization Board to draft a six year plan of public works.

ing was held, the air was full of questions.

"What will be the Government's attitude toward those presenting the code? Will they be in the position of defending it?"

ing it?"
"Will those who offer objections be regarded as recalcitrants who deserve little consideration?"

"Is it necessary to have attorneys present the case?"

These and many other questions were answered almost immediately after W. L. Allen, deputy administrator con-

ducting this first hearing, banged his gavel calling the meeting to order promptly at 10 o'clock, the scheduled hour. This habit of punctuality, by the way, continued throughout the hearing.

A packed house—attendance at that first session was estimated at 1,000—settled to silence.

"As a partnership"

"WE are here," Mr. Allen said, "as a partnership to draw up a fair code for the cotton textile industry."

Through all the hearing, this partnership idea was evident. The impression that the meeting was actually a partnership grew as the sessions went on. The whole spirit seemed to be fair play; the goal, to arrive at a workable set of regulations that would mean hardship to no one. Nobody was on the defensive and nobody was in the position of attacking anything.

The hearing was held on the stage of the Auditorium. Across the front of this stage was a long table. Behind it, facing the audience, sat General Johnson. Beside him was Donald R. Richberg, general counsel for the National Recovery Administration. At the end, at the audience's left, sat Mr. Allen. Witnesses sat at the right end of the table, facing him.

Behind the table were grouped the advisory com-

mittees. To the audience's right was the Labor Advisory Board, named by Secretary of Labor Perkins, and including William Green, President of the American Federation of Labor. Behind the table was the Consumers' Group, named by the Recovery Administration and headed by Mrs. C. C. Rumsey, New York Social worker. On the left was the industrial group, named by Secretary of Commerce Roper. Alfred P. Sloan, Jr., Gerard Swope, and Walter C.



W. L. Allen Deputy Administrator

Presided at the Cotton Textile hearing and was thus the first Deputy Administrator to get his baptism of fire. Had been a consulting metallurgist in New York until summoned to help administer the Recovery Act. Before that, had spent most of his business life in the steel industry, having entered the steel mills as a common laborer in 1909. Seven years later he organized the Valley Steel Company of East St. Louis. Was its president until it was acquired by the Laclede Steel Company. Served as vice president and general manager of this concern until 1923, when he became president of the Kansas City Bolt and Nut Company. Reorganized this company into the Sheffield Steel Company and served as its president until it merged with the American Rolling Mill Company in 1930, when he became chairman of the board of Sheffield Steel and a member of the executive and finance committee of American Rolling Mills.

Teagle were prominent members.

Under the procedure, as adopted, members of these boards are permitted to question witnesses by writing their questions and handing them to the deputy administrator who then puts them to the witness. There is no crossexamination.

The procedure, as explained by Mr.

Richberg at the textile hearing, is not judicial or strictly legislative. It is, he said, "rather in the nature of an administrative inquiry for the purpose of advising the Administration of the National Recovery Act of the facts upon which the exercise of administrative authority must be predicated."

The program, as Mr. Richberg outlined it, goes like this.

At the opening of the hearing, appearances, filed in advance or entered by those present, will be duly recorded. This is important. Although considerable leeway was granted at the textile hearing to those who had failed to announce that they intended to speak, the impression was given that this requirement may not be relaxed in the

The actual hearing upon a code will begin with the presentation of the code



K. M. Simpson Deputy Administrator

Consulting engineer and metallurgist. Graduate and Master's degree, Columbia University, 1906. President of the International Chromium Process Corporation.

by its sponsors, who will be allotted such time as may be appropriate for the initial presentation of the code.

At the textile hearing this presentation was made by George A. Sloan, president of the Cotton-Textile Institute, Inc., sponsors of the code; Robert Amory, Nashua Manufacturing Company, representing the textile industry of the North, and William D. Anderson, Bibb Manufacturing Company, representing the South.

They presented evidence—as required -to show that the requirements of the law had been fulfilled in that the associations presenting the code "impose no inequitable restrictions on admission

to membership and are truly representative of their industry." They offered further evidence to show that the code was not designed to promote a monopoly or permit monopolistic practices. They also told the history of the code, how it was drafted and by whom.

Following this presentation, the code was taken up in sections. In the case of the textile code, Section I defined what. for the purposes of the code, constituted a member of the industry. Mr. Sloan



Earl D. Howard Deputy Administrator

First came into prominence when, as student, he won the first Hart, Schaffner & Marx prize for economic essays in 1905. Has taught economics at the University of Pennsylvania and Northwestern University. Has lectured on labor problems at Harvard and Stanford. Served as secretary of the industrial relations committee of the United States Chamber of Commerce. Since 1911, as vice president and director of Hart, Schaffner & Marx, has studied labor conditions in the clothing industry and is an authority on this subject.

read this section and spoke in favor of it. Several tire manufacturers, represented by C. A. Stillman, vice president of the Goodyear Tire & Rubber Company, objected to the definition as its terms included them as textile manufacturers. Sylvan Gotshal, representing the National Upholstery and Drapery Textile Association, Inc., also objected to inclusion of his group with the textile industry.

Having presented their cases, they were questioned by Mr. Allen but his queries were merely for the purpose of clearing up confused points. He did not challenge the witnesses' facts.

Section II of the textile code covered the minimum wage provision. Many witnesses testified on this section. The industry, consumers and labor were all represented. Each was permitted only to present his own evidence. None was permitted to challenge evidence submitted by another and none was permitted to discuss any section of the code but Section II.

And so the hearing progressed. The rules governing the presentation of evidence were given in full by Mr. Richberg:



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Nelson Slater Deputy Administrator

The youngest of the six deputies. Born in Webster, Mass., in 1893, he attended M.I.T. and Harvard. Served in the World War as an ambulance driver with the French, returning to this country to attend the Plattsburg officers training school. Later, as a naval officer, he served as an instructor in the flying corps and was eventually assigned to experimental flying and to the Test Board for Naval Aviation. Left the Navy in 1918 and, since 1923, has been president of S. Slater & Sons, manufacturers and printers of cotton and rayon textiles.

Before a hearing is given to any witness a specific statement must be filed, in writing, setting forth without argument a request for the elimination of a specific provision of the code, a modification of a provision in language proposed by the objector, or an additional provision. All proposals will then be heard and all parties presenting evidence will be required to confine their presentations in the first instance to oral or documentary evidence produced in support of the specific proposal made. Oral arguments will not be received unless certain matters are specifically set down for subsequent oral argument by the Deputy Administrator, who may, in his discretion, request or permit written arguments to be filed within such time as he may designate.

Since the purpose of the hearings is to provide evidence of facts upon which the Administrator will be justified in recommending approval of codes to the President, these hearings will not be appropriate for the presentation of arguments upon issues of law. If any party in interest desires to raise any issue of law in connection with a proposed code of fair competition, he may file a written argument thereon with the Deputy Administrator, but oral arguments upon questions of law will not be permitted during the hearing.

The control of presentation of testimony during hearings will rest entirely with the Deputy Administrator, witnesses being presented for questioning by him and by no one else unless he shall so direct. It is the purpose of this regulation to avoid unduly formal or unnecessarily extended examinations of witnesses by counsel representing a party in interest. Under no circumstances will any representative of opposing interests be permitted to cross-examine a witness.

There is no restriction upon representa-



UNDERWOOD & UNDERWOOD

C. C. Williams

Deputy Administrator

A graduate of West Point in the class of 1894, he served with the Astor Battery in the Philippines in the Spanish-American War, and with the A.E.F. in the World War until April, 1918, when he was recalled to Washington as acting Chief of Ordnance. Three months later he was appointed Chief of Ordnance, with the rank of major general. Long peacetime service at the Rock Island arsenal and as powder inspector at the du Pont Powder Mills had qualified him for this post. He wears decorations of Great Britain, France and Poland as well as the D.S.M. of his own country. He retired from the Army in 1930.

tion of parties in these proceedings by attorneys or specialists, but such representatives should regard themselves as witnesses subject to the questioning of the Deputy Administrator and not as counsel conducting a law suit.

As was illustrated at this first hearing,

or by events happening concurrently, it still is too early to deal positively with some of the major questions that have arisen. Partly because the game is not yet far advanced, partly because Brig. Gen. Hugh S. Johnson, the Federal Administrator, is playing his hand with unusual skill and finesse, it has not become apparent to date just when or in what degree pressure will be applied in the treatment of minorities under codes approved, or of entire industries



UNDERWOOD & UNDERWOOD

Arthur D. Whiteside

Brings back to Government service the experience gained as editor in charge of War Trade Intelligence and with the War Industries Board. He attended the peace conference on reparations. His business experience was gained with the National Bank of Commerce, A. G. Hyde & Sons, the Wool Institute, R. G. Dun & Company, the National Credit Office, and Dun and Bradstreet, Inc. He was president of the latter two concerns when called to government service.

which fail to act voluntarily. The velvet covering has not yet been taken off the "big stick," if, indeed, it ever will have to be in any widespread number of cases.

Uncertainty still persists with respect to the exact relationships between employers and employees to which the Act may lead. As yet, there has been little semblance of the labor strife which was so freely predicted when the bill was under debate. A few isolated labor unions have talked about organizing open-shop industries, but the majority of unions have shown the same sanity as the majority of employers in looking at the problem. Certainly, there has been little or no evidence of either desire or willingness by the Govern-

(Continued on page 59)

Watching Washington

By FREDERICK SHELTON

AFTER five months of legislative and administrative planning we can now begin to see some of the things promised by the Roosevelt regime. Step by step we are learning just what many of the drastic reforms mean when given practical application. The broad powers delegated to the President by Congress are being used. Thus, legislative discretion is being translated into definite administrative laws.

Action has been swift. Officials have done much thinking on the run. Deliberative processes have been put aside for more direct attempts at quick results. Now, possibly, all of us should relax, do a little stock-taking, and ask a few questions as to where we are going. Sure answers to these questions cannot yet be found, but direction markers are fairly distinct.

Various stock labels have been applied to the Roosevelt dispensation. Some call it socialism; others state-capitalism; still others dictatorship. Such labels are futile because it is none of these things. It is a mixture of many concepts and, therefore, many contradictions and inconsistencies. There is a little socialism, a good deal of state-capitalism, and a good sprinkling of dictatorship. Jeffersonian principles are being scuttled by the political party which calls him patron and a form of federalism far beyond the thoughts of Hamilton is being rapidly put into effect. Political heirs of Woodrow Wilson are erecting an economy more nationalistic than any high-tariff Republican regime ever attempted, and at the same time bidding for international leadership in the field of economic peace. Sincere states'-righters are completely nonplussed. Old wet-and-dry demarcations are largely meaningless. It is a strange and confusing situation.

General Aims

THE main objectives are, of course, to make jobs for millions of idle workmen, and to raise prices so that debtors will have an even break. There is nothing distinctive about

this program. It is the thing all men have sought desperately during four years of depression. The significant thing, therefore, is the method to be employed. Methods are likely to become more important than aims because of the likelihood that certain methods may produce results not contemplated.

Results to Date

IT IS too early to measure results fairly. Employment has increased, however, to the extent of 15 to 20 per cent of the 13,000,000 idle workers about whom we heard last February.

Prices have risen sharply in the cases of certain staple commodities, one well known index having risen nearly 60 per cent since last winter. The composite wholesale price index of 784 commodities has gone up more than ten per cent.

For the first time in nearly four years, there is convincing evidence that the downward spiral of deflation has been turned into an upward spiral. Washington exudes satisfaction as tangible proofs of business recovery roll in. One who makes contact with the innumerable sources of economic data at Washington gets an impressive picture of a nation going back to work. There is no way to tell, however, what the next season will bring.

MR. KIPLINGER wrote us that he needed a rest and that NATION'S BUSINESS readers needed a rest, from his articles. With the second proposition we could not agree. With the first we were forced to. So we asked Mr. Shelton, an experienced and thoughtful commentator, to write his impressions of Washington during Mr. Kiplinger's absence

* * * * *

Certain Uncertainties

"WILL the consuming masses buy and consume all the stuff being made?" is the question being asked on all sides. If so, we are getting squared away for a period which

may be known as the "good thirties," in the opinion of many wise men. If not, we shall have to pull ourselves together again and reorganize for another kind of attack.

To put the question another way, are producers scared into increased production by the prospect of higher prices, higher wages, and a devalued currency? Many people think so. The specter of inflation undoubtedly has spurred many holders of cash to put it into goods and common stocks. It is argued, however, that merchants' shelves were nearly bare, that manufacturers had reduced inventories of finished goods and raw materials to abnormally low levels, and that the filling of this vacuum will start a cycle of employment, buying power, confidence, and consumption.

Will Buyers Strike?

WILL merchants be able to sell their newly bought goods purchased at higher prices and make a profit? This is the test now being watched anxiously by Washington officials

directly concerned with nursing business and agriculture. When the vacuum of low inventories is filled, there must be commensurate retail sales and consumption or the little June-July boom produced in anticipation of inflation will flatten out. The possibility of such a late-summer let down is clearly in the minds of administration strategists. This accounts partly for the haste of administrators in trying to assure added buying power through the Agricultural Adjustment Act and the National Industrial Recovery Act.

Buying Power Before Profits

THESE administrators seem to see the problem clearly. They insist on getting for farmers more actual purchasing power than they have had for years so that they can do their

share in keeping industrial workers employed. Industries (Continued on page 52)

What Has Been Done to Veterans

FIVE days after
the change of Administration, the Seventy-third Congress was assembled to Washington to remedy the unhappy state of the nation. Almost immediately it passed a bill titled "An Act to Maintain the Credit of the United States Government." This act, known as Public No. 2 or as the Economy Act, included this language:

"That, subject to such requirements or limitations as shall be contained in regulations to be issued by the President and within the limits of appropriations made by Congress, the following classes of persons may be paid a pension—"

Out of this clause grew the congressional revolt which delayed adjournment with a deluge of eloquence and legislative maneuvering. Out of it also came a reduction of veterans' appropriations although nobody can say what this reduction may be. It could be \$360,000,000. It will certainly be at least \$250,000,000. It will most likely be some figure in between.

Whether or not this cut can be made without injustice to anyone is a debatable question. Quite likely nobody is satisfied. The taxpayer got less than he asked for. The veterans lost more than they wanted to. The issue is far from dead but the adjournment of Congress provides a momentary breathing space to examine what has been done, how it was done, and to whom.

That is not an easy task. Experts of the Veterans' Bureau armed with the finest tabulating machinery are working overtime, and have been for months, trying to figure it out.

The complexities of the situation are increased by the fact that veterans of the Civil War, the Mexican War, the Indian War, the Spanish-American War, the Philippine Insurrection, the Boxer Rebellion and various expeditions such as those in Nicaragua are affected as well as veterans of the World War. Records of some of these engagements

als for cutting the cost of Veterans' Administration brought on a confusing congressional row. With the excitement ended, at least temporarily, it is possible to see what was actually accomplished and how

are insufficient or entirely lacking.

Moreover, compensation legislation
has grown up piece-meal as the need or
inclination arose. This continuing revision has resulted in some strange
situations such as that which frequently
permitted a Spanish War veteran whose
disabilities were not the result of service
to draw more pension for a like percentage of disability than men injured
in actual combat.

Add to this the complications arising from insurance, vocational education, hospitalization, widows and children, technicalities and red tape and it becomes evident that the situation isn't one that the ordinary man will encompass in a casual sitting.

It is possible, however, to get a broad general picture and to determine to some extent where we stand today in relation to where we stood before the recent revisions.

An old system

TO BEGIN with, the present argument is not new. The Founding Fathers started it when, a few weeks after the Declaration of Independence was signed, the Continental Congress passed resolutions promising pensions to soldiers and seamen who might be disabled in the Revolutionary War. Nobody denies that this was a just act. Even the severest critics of Veterans' Administration favor government compensation and relief for those who are disabled defending their country and for the dependents of those who are killed.

The Founding Fathers, however, soon liberalized that early pension law. Pension laws passed after each succeeding war have in turn been liberalized and the session of Congress which does not discuss veterans' legislation in some form is the exception rather than the rule.

When we entered the World War an effort was made to prevent a repetition of this argument over pensions. A committee formed in 1917 with Julian W. Mack as chair-

man carefully examined all compensation and pension systems then in use and drew up a plan of veterans' relief designed to cover every reasonable form of compensation and assistance to veterans and their dependents.

This plan, incorporated as the substantive provisions of the act of October 6, 1917, provided, by means of pay allotments and family allowances, for the dependent families of persons in

actual service. It provided compensation, medical care and vocational rehabilitation for those disabled in service and government insurance for service people.

This act was amended in 1921 to provide that certain diseases which developed within certain periods after the war should be presumed to be of

service origin.

Under these provisions, the cost of World War veterans' compensation apparently reached its peak in 1924 and a decline was noted. In that year the adjusted compensation act was passed over the President's veto and a month later the World War Veterans' Act extended government hospital facilities to veterans of any war when disabled by disease or injury not connected with military service.

Under the terms of the act, this hospitalization was authorized only when accommodation was available. The theory was that there would be some vacant beds in the hospitals and former soldiers should be allowed to use them. When the number of applicants exceeded the number of beds, a rush for more hospitals began.

"Every Congressman wanted a hospital for his district,' one official described it. "When the Veterans Bureau asked for \$10,000,000 for hospitals, it got \$20,000,000."

The act of 1924 also increased the number of "presumptive" cases by lengthening the list of ailments which, developing after the war, were

to be regarded as service connected. Furthermore, it provided that disability should be judged not on a basis of impaired earnings but on the basis of previous occupation. This had the effect, according to one critic, of nullifying the whole vocational training system. No matter what a man had been trained to do, if he could not follow his pre-war occupation he was rated handicapped on the basis of his pre-war occupation.

Too much disability allowance

THIS regulation, reasonable enough in conception, had some remarkable sequels. One of them, supposedly an actual case, was related by a man who emphasized that it was unusual but showed the possibilities. A violinist lost a finger while in the service. This injury, modest enough in most walks of life, incapacitated him for his previous occupation. He was rated as 50 per cent

Tentative Allocation of Appropriation for Veterans' Administration for fiscal year 1934

	Estimated Cost for Fiscal Year 1934 under Pri- or Laws	Estimated Cost Under Economy Act	Additional Cost of President's Regulations of June 6, and amendment under Independent Of- fices Bill	Estimated Cost for Fiscal Year 1934
World War		THE PERSON		D - 1 P-1
Disability Compensation	\$221,728,010	\$68,610,240	\$ 49,662,000	\$118,272,240*
Emergency Officers' Retirement	10,029,827	3,300,000		3,300,000
Death Compensation	39,389,837	25,700,000	11,130,600	36,830,000
Disability Allowance	101,652,326	6,175,760	3,967,000	10,142,760
Spanish-American War Includ- ing Boxer Rebellion (Service Connected)				
Veterans	291,600	11,800,000	4,985,000	16,785,000
Dependents	330,175	700,000		700,000
(Non-Service Connected)	550,175	730.0430.000		
Veterans	107,026,277	21,459,644	15,147,000	36,606,644
Dependents	17,124,658	7,700,000		7,700,000
Civil War	303 0100 00110001			
(Service and Non-Service Con-				
nected)				
Veterans	24,000,000	21,460,700		21,460,700
Dependents	58,534,100	52,680,690		52,680,690
Other Wars (Indian-Mexican-			1 1 1 2 1	
1812)				
Veterans	2,808,188	2,248,441		2,248,441
Dependents	2,025,028	1,822,525		1,822,525
Peace Time				
(Service Connected)				
Veterans	6,400,000	5,672,000	2,609,000	8,281,000
Dependents	1,389,974	2,400,000	A Commence	2,400,000
Adm. Medical Hospital & Domi-				
ciliary Services	111,273,634	77,273,000	8,500,000	85,773,000
Printing and Binding	150,000	150,000	To the second	150,000
Military and Naval Insurance	134,000,000	123,000,000		123,000,000
Hospital and Domiciliary Facili-			1	
ties and Services (Maintenance)	5,000,000	1,000,000		1,000,000
Adjusted Service Certificate Fund	100,000,000	50,000,000		50,000,000
Adjusted Service and Dependent				
Pay	2,835,000	2,835,000		2,835,000
Total Veteran Activities	2045 000 624	640E 000 000	e ne nan con	2501 000 000
The state of the s	\$945,988,634	\$485,988,000	\$ 96,000,000	\$581,988,000
Non-Veteran Activities	20,850,000	20,850,000	6 96 000 000	20,850,000
Estimated Appropriation	\$966,838,634	\$506,838,000	\$ 96,000,000	\$602,838,000

*Cost of presumptive cases is included in this figure. This is the low estimate. Action of the new boards probably will increase it.

disabled and drew compensation on this basis. In the meantime he became an orchestra leader at higher pay than he had previously received.

Further liberalizing acts were passed in 1928 and 1930. The former provided \$50 a month for all cases of arrested tuberculosis and \$25 a month for loss of limbs, in addition to whatever other compensation the veteran was receiving. The act of 1930 known as the Disability Allowance Law provided payments at a rate from \$12 to \$40 for all disabled veterans no matter when or how the disability was acquired.

By April 30, 1933, some 417,975 cases of all kinds were on record of which 26,581 were totally disabled. The estimated cost of all services to veterans for the next year was \$966,000,000.

With reduced income inspiring a greater public scrutiny of government expense, these figures could not escape notice. Taxpayers, developing an unprecedented interest in where their money went, found that veterans' administration was the largest single item on the federal budget.

Possible 40 per cent cut

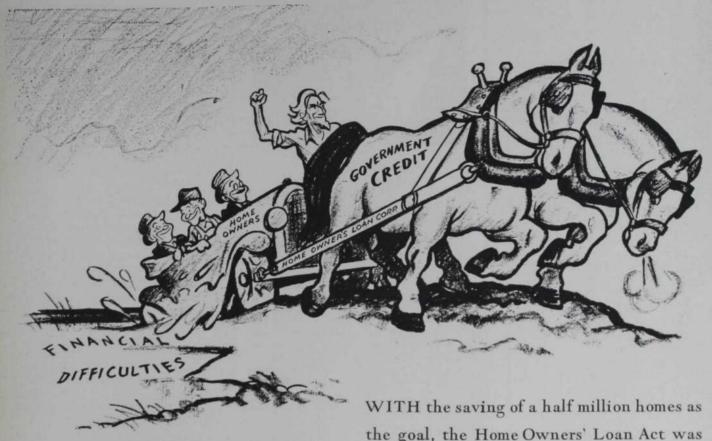
STATISTICIANS among the taxpayers studying the figures declared that \$400,-000,000 could be taken out of this fund without injustice to any deserving veteran. The term "deserving veteran," course, needs some definition. The U. S. Chamber of Commerce, speaking for the business men of the country, said:

"Any man who has served in the military forces and who, because of disabilities incurred in the line of duty, has had his earning power reduced, should have generous treatment and should be amply reimbursed for such loss of earning capacity.'

It was possible to produce number-(Continued on page 57)

Giving the Home Owner Protection

By RAYMOND WILLOUGHBY



APPROVED by the President as one of the major cogs in the legislative machinery of his "new deal," the Home Owners' Loan Act is designed "to provide emergency relief with respect to home mortgage indebtedness, to refinance home mortgages, to extend relief to the owners of homes occupied by them who are unable to amortize their debt elsewhere, to amend the Federal Home Loan Bank Act, to increase the market for obligations of the United States, and for other purposes." This legislation passed the House April 28 by a vote of 383 to 4, and the Senate, June 6, without a roll call.

In brief, the Act provides: The establishment of a Home Owners' Loan Corporation to be administered by the Federal Home Loan Bank Board, with \$200,000,000 of capital to be provided by the Reconstruction Finance Corporation.

Authorization to issue \$2,000,000,000 in bonds running 18 years at four per cent interest, with the interest guaranteed by the Government.

Maximum aid which the Corporation may give to a home owner, through exchange of bonds for mortgages, will be the equivalent of 80 per cent of the value of a mortgaged property but not exceeding \$14,000.

The Corporation, in this refinancing, will exchange its bonds up to the permitted maximum for mortgages; the bonds will bear government-guaranteed interest at four per

WITH the saving of a half million homes as the goal, the Home Owners' Loan Act was passed by Congress. Mortgagees and mortgagors are affected. So are many others

cent. When the Corporation makes such an arrangement it will collect from home owners interest not exceeding five per cent on the refinanced mortgages, and home owners must amortize these loans within 15 years.

The Act also provides that home owners whose mortgage holders are reluctant to accept the bonds may borrow in cash up to 40 per cent of the value of their properties for the purpose of refinancing their indebtedness. Interest on these loans in no event will exceed six per cent annually.

Cash loans are authorized up to 50 per cent of the value of homes not otherwise encumbered for the payment of taxes, assessments, necessary repairs and maintenance, and the act also provides for loans to recover homes for original owners who may have lost them by foreclosure or forced sale in the past two years.

The borrower may have an extension of three years on the principal if he keeps the interest paid, and the Board may extend the payment of both principal and interest in cases of inability to pay, owing to stress of circumstances.

Mortgages, to be eligible, must be of record June 13, 1933.

As used in the act, the term "home mortgage" means "a first mortgage on real estate in fee simple or on a leasehold under a renewable lease for not less than 99 years, upon which there is located a dwelling for not more than four families, used by the owner as a home or held by him as his homestead, and having a value not exceeding \$20,000; and the term 'first mortgage' includes such classes of first liens as are commonly given to secure advances on real estate under the laws of the state in which the real estate is located, together with the credit instruments, if any, secured thereby.'

An emergency measure

THE United States Census in 1930 revealed that 95 per cent of urban dwelling houses came within the \$20,000 limit.

Primarily, the bill is an emergency measure intended to protect the equities of thousands of citizens who own or are buying houses in which they live. It does not provide for the home owner who wishes merely to refinance his mortgage and is in no danger of foreclosure. A glance at the background of this relief measure will help to explain the "why" of its provisions.

In 1932, the outstanding mortgage debt on dwelling houses was estimated by the Home Loan Bank Board at \$21,450,000,000, divided as follows: Federal Reserve member banks, \$1,450,000,000; mutual savings banks, \$3,393,000,000; all other banks, \$1,044,000,000; building and loan associations, \$6,484,000,000; insurance companies, \$2,079,000,-

000; mortgage companies, \$3,000,000,000; individuals, \$4,-000,000,000.

The total number of dwellings in the United States in 1930, according to the census, was 25,204,976, and the number of families was 29,904,663. As a "dwelling" is defined as any place where one or more persons sleep regularly, it may signify a boat or a tent, and an apartment house sheltering many families is counted as only one dwelling. Owing to this method of dealing with apartment houses, the number of dwellings is considerably less than the number of families. Urban dwellings totaled 13,046,699 and urban families totaled 17,372,524.

Of all the houses in the United States, more than 90 per cent are of the one-family type, about seven per cent are two-family structures; and 2.6 per cent are dwellings designed for three or more families. The last group, which includes apartment houses, provides for 12 per cent of all the families; the remainder live in one-family or two-family buildings.

On half of the 12,000,000 one-family and two-family urban dwellings mortgages are outstanding. Of these mortgages, only about one-fifth are believed to be in acute distress. During the depression, the mortgaging of homes is ascribed in great part to the desperate efforts of the home owner to finance himself through a difficult economic situation. Records show that foreclosures have increased. A test investigation by the Federal Home Loan Bank Board in 668 communities, counties for the most part, including 44.9 per cent of the population of the United States, showed 47,085



Charles J. Brand

Co-Administrator Agricultural

Adjustment Act

An agricultural market specialist, he is reputed to be the father of the debenture idea. He is at home in the Agriculture Department, having, as first chief of the Bureau of Markets, enforced the presidential proclamation governing stock yards and concerns dealing in live stock and supervised war-time purchase and distribution of nitrate of soda for agricultural use. He also carried on considerable research for the Department. For several years he was vice president and general manager of American Fruit Growers, Inc. More recently he has served as executive secretary of the National Fertilizer Association.

foreclosures in 1926. For 1932, the figure was 165,133.

Although farms and business properties are included in the survey, analysis revealed that about three-fourths of the actions affected home owners. Since the communities thus "sampled" were scattered throughout the country, there is reason to believe that the foreclosures for the nation were something like twice the number shown for the 44.9 per cent of the population represented in the survey.

It is possible to believe with the Brookings Institution that, before 1929, urban mortgages had expanded more rapidly than property values. This position, of course, must be rationalized against the fact that property values were rising generally. No doubt the great volume of construction operated to raise the mortgage debt. The financing of this structural surge is a logical explanation of the bulge in the mortgage total for the ten-year post-war period.

As every one knows, many persons bought houses at prices out of all proportion to their incomes and have reduced the principal little or nothing. As would be expected, the value of some of these properties is now actually lower than the mortgage figures.

Relieving distress

HOW to relieve the distress of the home owner burdened with a mortgage, through the medium of a loan safeguarded with the requirements of character and earning power and the ability to carry the implied ob-

ligations, is the problem to which the President and his advisors directed their interest and their support.

When signing the bill, the President urged holders of mortgages to withhold foreclosure until the new system had a chance to function. The President declared that cooperative action under the act will eliminate the necessity for many foreclosures, with justice to all concerned. He said:

In signing the "Home Owners' Loan Act of 1933," I feel that we have taken another important step toward ending the deflation which was rapidly depriving many millions of farm and home owners from the title and equity to their property.

The act extends the same principle of relief to home owners that we have already extended to farm owners. Furthermore, it extends this relief not only to people who have borrowed money on their homes but also to their mortgage creditors.

It will, of course, take a little while to set up the machinery necessary to carry the principles of the act into effect. In the meantime, I appeal to mortgage creditors and all others who have claims against home owners to abstain from seeking to dispossess the home owners who are in debt to them until the refinancing provisions of the Home Mortgage Act can be made effective.

Cooperation between the officials of the Home Owners' Loan Corporation, the mortgagers and the mortgagees during the next few months will make many foreclosures unnecessary and will do substantial justice to all concerned.

The new act does not abolish the Federal Home Loan Bank structure authorized by the Act of July 22, 1932, but it does repeal the provision for direct loans to home owners. Through this modification, the new home loan system is an

expansion of the direct loan function originally included in the Home Loan Bank Board's authority but found impracticable because distressed mortgages rarely have the soundness essential to conservative refinancing. The distinction between the two systems cannot be too sharply drawn. The Home Loan Bank system is a permanent, conservative organization constituting a reserve resource to assist local home financing institutions. The Home Owners' Loan system is a purely emergency organization designed to lend directly to the home owner, and authorized to operate for three years after the date of the Act.

A good deal of confusion resulted from the public's misapprehension with regard to the purpose of the Home Loan Bank system. The framers of the Act did not have direct loans to individuals in mind. The system was intended to serve as a credit reserve for building and loan associations, savings banks and insurance companies. The expectation that money for refinancing their borrowers would be available as soon as the system was in full operation no doubt influenced these institutions to refrain from foreclosures, and gave fresh confidence to their shareholders and depositors. At the end of June, 1,301 savings institutions had become members of the system. Their stock subscriptions amounted to \$12,119,800.

Although active lending did not begin until January 15 of this year, and the system has been forced in all but eight states to wait for the legislatures to approve the inclusion of home financing institutions in its membership, the home loan banks have invested more than \$45,000,-000 in the home mortgage field. Ultimately it is expected the approved savings institutions will take up all the system's stock. Until it is retired, the United States Government participates in dividends, if any, with the member institutions, but is guaranteed two per cent on the stock it subscribes. It is the intention of the system's administrators to project its services into areas where money for home financing is scarce. The number of foreclosures has declined in communities where home financing institutions hold membership in the system. Elsewhere foreclosures have increased.

The object of the new legislation is not to shoulder the entire burden of the nation's mortgage debt on the Government. Instead, the plan is designed to care only for emergency cases and for those in which the prospect of ultimate payment of the mortgage debt is reasonably good. It will be possible to refund, not only a first mortgage, but a second mortgage or any other lien up to the total 80 per cent value.

The three-year moratorium on principal payments was accepted by the House and Senate conferees. The holders of mortgages in default, both as to interest and principal payments, for the most part are interested primarily in getting their money back and do not wish to take over the property. As matters stand now, they are receiving no payment on the principal, and in many cases no interest on the investment. In such circumstances

the mortgage is not salable and so cannot be converted into cash if the mortgage holder should find himself in need of it.

The House therefore placed in the bill a provision that cash loans might be made by the Home Owners' Loan Corporation to pay off mortgages where the mortgage carried not more than 30 per cent of the value of the property. The Senate raised the limit to 50 per cent. A compromise was reached in conference at 40 per cent, and this figure is carried in the bill. It is worth pointing out that the Act provides no authority by which the home owner may compel the mortgage holder to take action which he does not wish to take by forcing him to take cash for the balance of the debt due him.

Cannot help all home owners

IT SHOULD be understood that not all the persons in default can be relieved by the emergency loan legislation. Morton Bodfish, former member of the Home Loan Bank Board, told the country at the outset of the Board's activities that "No sound home financing system can give relief to home owners, home buyers, home repairers, home taxpayers, unless they have good character, some earning power, and are otherwise in a position under normal conditions to carry their obligations.'

The same principle holds true with respect to the new plan

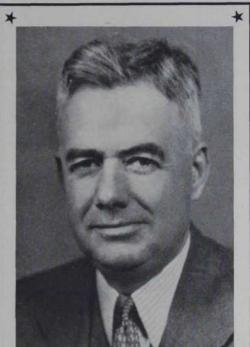
for mortgage relief. Otherwise, the refinancing of mortgages under a Government-supervised corporation would partake more of the character of a gift to the home owner than of a loan.

Loans made by the Home Owners' Loan Corporation must be sound, the Board declares, or the Corporation's bonds will not be sound and will sell at a discount. The Corporation, therefore, will be unable to help the home owner whose mortgage is excessive unless the mortgage holder will agree to take a reduction in the amount of principal, down to 80 per cent of the value of the property involved.

Nor can the mortgage holder be forced to take any such action. The Corporation's powers provide for exchanges of bonds for mortgages which meet the limitations laid down by law. Except as indicated above, they do not provide for advances to home owners for the purpose of paying off present mortgages and giving new mortgages to the Corporation. Thus the whole refinancing operation is subject to the agreement of the mortgage holder to accept the terms of the new arrangement. This qualification would seem to restrict the Corporation's scope of operations.

Despite the explicit text of the new Act, inquiries reveal a widespread belief that the country's mortgage problems in general are about to be solved.

The Federal Home Loan Bank system was not intended as an emergency organization to distribute money freely and on an unsound basis, and it is not anticipated now that the new Corporation will be any less sound than the



M. L. Wilson

Wheat Production Administrator

Hundreds of Northwest farmers know him as "M.L." He was raised on a farm, was a tenant farmer in Nebraska, homesteaded in the dry farming region of Montana, managed a tractor wheat farm there and became one of the first two county agents hired in that state. Served for a time as head of the division of farm management and costs in the Agriculture Department, but returned to Montana to head the Department of Agricultural Economics at Montana State College. Has studied farm problems not only in this country but in Canada, France, Germany and Russia and has been active in formulation of relief plans since the first McNary-Haugen bill was introduced in 1924.

loan banks. The official determination to take over only reasonably sound loans will automatically exclude the idea that unsound paper can be unloaded on a Governmentsponsored institution.

It is easy to argue, of course, that mortgage holders who are receiving their payments regularly will find little or no incentive to trade their mortgages for bonds. This reluctance would deny benefits of the legislation to home owners who have been able to keep up their payments.

As everyone knows, most mortgages now pay six, seven, or eight per cent interest. It is natural to ask why the mort-

gage holder who has been paid promptly should want to exchange a sound asset yielding six per cent or more for another that yields only four per cent, as do the bonds to be issued by the Home Owners' Loan Corporation. With this factor in view, it would seem that, for the most part, only mortgages in default or in immediate danger of becoming so could constitute the Corporation's province.

Restricted lending

THE field is further limited by the restrictions placed in the legislation establishing the system. The home on which the mortgage is given, for example, must be occupied by the owner or held by him "as a homestead," and it must be of a type to accommodate not more than four families.

In addition, the bonds issued in exchange for a mortgage must not exceed in face value 80 per cent of the appraised value of the property or \$14,000, whichever is lower. Because of the shrinkage of real estate values quotations in recent years, many mortgages are larger than 80 per cent of the value of the property. It is obvious that these can be refinanced through a bond exchange system only if the mortgage holder is willing to trim the mortgage to 80 per cent of the value, and then take this amount in bonds. The cut would be passed on to the home owner whose mortgage would be reduced in proportion to the reduction accepted by the mortgage holder.

It thus appears that the Corporation will function in two ways by exchange of bonds for mort-

gages and by refinancing mortgages with cash. The bond exchanges, as indicated, will face several retarding influences. Not the least might be a lack of cash for cash refinancing by reason of the fact that the Corporation will have capital of only \$200,000,000 and the returns from sales of bonds for cash are not predictable and may be considerably less than par.

Should the Corporation try to push any large part of its authorized issue of \$2,000,000,000 of bonds on the market, it would have to compete with the Federal Treasury in the financing of its operations. Moreover, since Treasury bonds, on which both principal and interest are guaranteed by the Government, often sell below par, it is unlikely that the bonds of the Corporation, on which only the interest is guaranteed, will sell at par. Some Government issues now are below par.

It is interesting to recall that the farm mortgage relief

bill provided for loans up to 50 per cent of the appraised normal value of the land and 20 per cent of the value of the permanent insured improvements. As has been said, the bill for the relief of home owners provides for loans up to 80 per cent of the value of the property as appraised.

Although the plan provides for the exchange of bonds for mortgages, two questions naturally arise, "Is there any relief for the mortgagor, if the bonds are refused by the mortgagee? Can the person buying a house under contract get a loan?" The answer in part is that the bill covers all prior liens, and contracts of sale, for the framers of the bill author-

ized advances of cash to take care of taxes, assessments, and other charges, such as insurance.

As has been pointed out, the Home Loan Bank Bill was passed last year. Somehow the public got the idea that people could go to a government agency and borrow money on real estate whatever the need. The new legislation reflects no intention to embark the Government on a course of lending money to individuals except for emergency purposes, and then only when there is no other opportunity. It is unhappily true that there is no provision to save the unfortunate whose property has so depreciated that it is mortgaged in excess of 80 per cent of its value.



Cully A. Cobb

Organized the first of Mississippi's system of agricultural high schools and later was made Mississippi State Agent in boys' agricultural club work. He served in this position and as Assistant Director of Extension until 1919 when he was selected as editor-in-chief of "Southern Ruralist." Since 1930 he has been vice president and editor of "Progressive Farmer and Southern Ruralist." He has served as chairman of the National Advisory and Legislative Committee on Land Use and, at the meeting of the U. S. Chamber in Washington last May, led the round table discussion on land utilization.

Encouraging thrift

A DISTINCTIVE innovation is the regard for persons in communities where there is no building and loan association. That their situation is realistic is attested by the fact that, of the 3,072 counties in the United States, 1,556 are without the benefit of an association of this sort, nor do they have a mutual savings bank, or insurance company agency. The new bill attempts to solve this difficulty by providing for thrift associations in counties deficient in this service.

The Government's idea is to promote the organization of savings associations by taking 50 per cent of the stock along with the citizens of any local community desiring to establish such an association. The association when established, would be a source from which the local people could borrow money to build, buy, or improve their homes,

and the associations would signify a cooperative effort to save and conserve capital in the local communities.

In effect, the Corporation says to a community, "if you want to organize a building and loan association of this type, we will put in a dollar of capital for every dollar that you can raise. If you take \$10,000 capital we will take \$10,000, pay it in as fast as you pay yours in, and that association will become a member of one of the federal home-loan banks, and as it lends to its members in a local community it can take that paper to the federal home-loan bank to which it belongs and use it for procuring money from the home-loan bank to relend to the people in its community. It is to encourage thrift, in the first place, and to build up a great cooperative financial structure, dealing strictly with homes." If it be asked

(Continued on page 55)

NATION'S



BUSINESS

AUGUST · 1933 Vol. 21, No. 8

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Charting the Course of Business ...

Running ahead of the plans . . .

★ THE administration of the industrial recovery and the farm relief laws is threatened by the very things the measur's seek to accomplish.

The purposes of the bills were to raise prices, add to employment, increase purchasing power—in short to bring about prosperity. But if prosperity comes with the promise of the bills and their performance is not needed, what then? Will the whole elaborate plan sink into what an earlier Democratic president called "innocuous desuetude" or will an effort be made to incorporate the ideas of cutting acreage and aiding farm prices by processing taxes? Will raising wages and reducing hours of labor by mutual agreement be made part of the permanent policies of the Government?

Already there are indications that farmers with dollar wheat and twelve-cent cotton and prices still rising are less eager to commit themselves to the new program. Some manufacturers are wondering if with broadening markets and higher prices in prospect they are not justified in raising wages on their own initiative and entering slowly upon government-sanctioned codes.

Business may cure itself . . .

★ BOTH the farm loan and home loan situations show promise of getting well without a drastic operation. The Farm Credit Administration is not finding much call for the two billions allotted to it for refinancing farm mortgages. The holders of such mortgages, as they see farm prices rising, are not eager to foreclose or to take lower interest rates, perhaps on a lessened principal.

The same condition exists in the home loan field. The prospect of rising real estate prices makes the mortgage holder more content with his security and indifferent to refinancing plans.

It looks as if sick business might get well by itself and any doctor will tell you that the most satisfactory patient is one who gets well without drugs and without the knife.

Public Works move slowly . . .

★ IT SHOULD not be forgotten that the Farm Relief Act with its annex permitting inflation, and the National Industrial Recovery Act with its public works program and its tax plan are emergency acts terminable by time or by executive order. The public works program is not speeding as fast as some of its proponents hoped, particularly as to the two billions to be allotted among the states. Politics seems to be creeping in; the states are finding it hard to formulate acceptable programs; the Director of the Budget who has to

keep an eye on the national budget is suggesting that federal funds go only to states which can balance their own budgets.

What kind of prosperity . . .

★ MEANWHILE business rejoices in improvements in many lines. Carloadings go up, more electric power is consumed, textile manufacture booms, automobile production rises, steel moves out of the doldrums.

But every caller at the editorial offices asks this question: "Is consumption increasing along with production or is the improvement in business chiefly anticipatory of increasing prices and improved consumer buying?"

A fair answer is that consumption probably lags behind although there are indications of improvement. Unemployment has lessened, but there is still a great number of men out of work, or working short hours and at low wages.

World-wide recovery . . .

★ ONE thing that marked the business decline that started in 1929 and is, we hope and pray, now over is the fact that it was not confined to any one country or any one continent. In every quarter of the world there was unemployment and suffering; in every quarter of the world prices dropped, and it seemed, would never stop dropping.

If the depression was world-wide, is the apparent recovery world-wide? If it is not, can we hope that our recovery is well founded and to continue?

The answer to the second question is that despite all the talk of nationalism and economic self-dependency, we are better off as the world is better off. A peaceful, consuming China, buying our cotton cloth and our kerosene, is better for us even though our foreign trade be but ten per cent, and a not indispensable ten per cent, of our business.

The answer to the first question is that commodity prices throughout the world are showing rapid advances, in some countries more rapidly even than in the United States. Rising prices usually accompany or lead to increasing business activity and that activity is being shown throughout the world. Not universally, perhaps not even generally, but here and there and increasingly.

Our bettered business outlook is shared by other countries. It is not due only to the drastic measures taken by the Federal Government to stimulate recovery. It is a world movement of which we are seeing the first signs.

Purchasing power needed . . .

★ THIS danger of an increased production unaccompanied by increased wages, increased employment and increased

consumption was recognized by the Administration early in July when Brig. Gen. Hugh Johnson, industrial administrator, warned business that it must hurry with its codes and particularly with the steps toward increasing wages and purchasing power. There have been complaints that productive activity was in part at least due to a desire to increase stocks before higher wages made higher prices inevitable and these complaints have stirred the administrator of the new act in his desire to get underway.

General Johnson didn't mince words. He referred to the fear that production was overrunning consumption and

added:

If we get too far ahead of our purchasing power, it must mean a new collapse. I shudder to think what would happen in this country if we had another.

The army of civil servants . . .

★ THE Council of the Civil Service Reform League is gravely concerned lest the change of administration and the change of the party in power should lead to a breakdown of "the merit system." It sees "the demands of spoilsmen" leading to "greater waste, corruption and extravagance."

Anyway the "spoilsmen," whoever they are, have something to fight over these days. Here's the Council's summary

of the manpower of government:

"During the half-century since the adoption of the Civil Service Law in 1883, the public service has grown tremendously through the many increasing functions undertaken by our various governments. The civil service throughout the country represents an army of more than 3,000,000 persons, and calls for an annual expenditure of more than \$4,000,000,000. One in every 40 persons draws pay from the federal, state or municipal governments. This huge public pay roll represents about one-fifth of the total annual budgets for all governmental activities."

There are 26,000,000 families in the United States. One in about eight includes a government worker. Will that num-

ber grow less? It never has.

Our business lives and even our private lives come more and more under the hand of government and each extension of federal authority calls for more administrators, more bureaus, more chiefs of bureaus, more secretaries to chiefs of bureaus, more investigators, in short, more men and women.

That three million will increase a third and be four million long before our population increases a third and becomes 165,000,000.

Why discard brains? . . .

★ W. O'NEIL, head of the General Tire and Rubber Company, recently expressed his conviction that industry is not entirely a young man's job. Experience and mature judgment have their place in the manufacture and distribution of the nation's commodities as well as youthful initiative, enterprise and energy, he believes.

"In this fast-moving age, there has developed a theory that men more than 40 should be thrown into the discard but, in our organization, we have a number of men more than 60 who are doing real jobs," Mr. O'Neil says. "While we do not make a practice of hiring old men, we certainly

have no age limit on keeping them.

"Bricks and mortar don't make a plant—neither do chemistry and engineering—it takes men to make a plant. Men must feel safe in their jobs, sure of their jobs. If the only future they could look forward to was that, when they reached a certain age, they would be thrown into the discard, they could not do their best work. We must recognize the capabilities and advantages of age and experience."

Industry is neither a young man's job nor an old man's

job. Both have their places and each needs the other,

Advertising a waste? . . .

★ IT IS characteristic of the lofty intellects who write the guide books to economic Utopias that they turn up their noses at advertising. In the planned heavens to which they look forward, each man, under professorial direction, shall have what he ought to have and not what he wants.

Outstanding among these prophets of a new day is Rexford Guy Tugwell, professor of economics at Columbia and assistant secretary of agriculture. Professor Tugwell has recently published "The Industrial Discipline," and here is his reference to advertising:

Any social plan would have to include for industry all the functions which are now performed by the independent agencies which have grown up because someone anticipated a profit from doing them. . . . Even the worst case which can be cited, advertising, has obvious social functions. Persuading consumers to buy a dozen different articles of precisely the same uses and qualities is undiluted waste; but calling public attention to new goods or to new uses for old ones would always be necessary.

Where does the good Professor get his ideas about advertising? "Persuading consumers to buy a dozen different articles of precisely the same uses and qualities" would be waste, but when, if ever, did advertising seek to do that? Advertising does try to convince the consumer of the merits of the advertised product. It hopes to make him believe that A's shirts have qualities that make them worth considering when he wants another shirt; it does not seek to put six shirts on one back.

"Calling public attention to new goods or to new uses of old ones—" Professor Tugwell's second definition—is a much more accurate description of what advertising has done and will do.

And still we wonder at the Professor's unhesitating superlative "the worst case."

For the honesty of business . . .

★ A DISTINGUISHED scientist who rises to the defense of business is always welcome; he is doubly welcome when he does it in the way of sharp criticism of a professional reformer in the columns of one of our most reforming journals.

In this case the scientist is Raymond Pearl, professor of biology at Johns Hopkins and an outstanding authority; the reformer, or reformers, are Arthur Kallet and F. J. Schlink, the reforming journal is *The Nation*, which invited Dr. Pearl to review a book called, "100,000,000 Guinea Pigs." Mr. Schlink is active in the work of Consumers Research and the guinea pigs are the helpless population of the United States, who are being pursued by the food, drug and cosmetic manufacturers of this country. No doubt there is truth, much truth, painful truth, in what Kallet and Schlink say. There is quackery and greed in business, as there is in all callings. But let Professor Pearl describe the book:

It is written for the avowed purpose of passing judgment upon the actions and motives of certain groups of men (food and drug manufacturers and officials) and upon the products of their activities (foods and drugs and the enforcement of the Pure Food Law). But it states only one side of the case; and in doing so freely employs most of the devices known to demagoguery, propaganda, and Mr. Ivy Lee as useful in inflaming the emotions and subduing the reason, to the end that the jury may be prejudiced against the other side.

Professor Pearl deals specifically with food manufacture. The book he says creates a general impression that the food manufacturers of this country are in a conspiracy to feed the American people poisonous and adulterated food. The authors create this impression "by describing and discussing

in great detail selected examples of flagrant but exceptional frauds and abuses. Then by subtle insinuation these cases are so generalized that the uninformed reader is likely to be seduced into regarding them as universals. There is notable absence of even an attempt at any statistical proof of the alleged dangers or harm done by bad foods."

What are the facts as Professor Pearl knows them?

First, that the great bulk of manufactured foods of all kinds achieve and maintain a remarkably high standard of quality and purity, all things considered, and are sold at reasonable prices, having regard to their cost of production and marketing (as is evidenced, for example, by the wide range of canned foods of unimpeached quality sold by the great grocery store chains); second, that for something like two decades past practically every important branch of the food industry (manufacturing) in this country has been aggressively educating and policing its own membership, not for the purpose of devising new ways to cheat the consumer, but upon the sound theory that honesty is the best policy, and that the security of the industry can best be insured by improving the quality and lowering the cost of the product, both of which results have been accomplished to a really remarkable degree, as any honest man who can remember conditions of from 30 to 40 years ago can testify.

And what's true of the food industry is true of most other branches of American business. Most of us want to make money but most of us want also to live honestly and to earn the respect of our neighbor.

A forgotten workman . . .

★ AMID all the current talk of shorter hours and minimum wage scales for the textile workers, the steel workers, retail clerks, and others, one great group of workers has been neglected. No voice is raised in their behalf by the leaders of organized labor. Nor, so far as we have heard, has any political leader espoused the cause of these forgotten men.

It can't be their unimportance in numbers for the 1930 census puts the male workers in this field at 2,561,649.

Nor can it be said that their wages are already satisfactory. Indeed, none of the so-called sweat-shop industries pays male workers, on a national average, so small a return as do the employers of these two and one-half million men. In April of this year government statistics showed that these men received an average of 75 cents a day with board, or \$1.05 a day without board. In one group of states the average was as low as 52 cents with board and 67 without. There is no record of their hours but it is the tradition of this particular industry that they run from sun to sun.

They need work spreading and stabilized employment in this industry as badly as in any other, for the same government statistics show that in April there were more than two workers for every job. Yet employers in this field have come forward with no plans.

And curiously enough, the Government has made no demand, on behalf of these two and one-half million workers, for either stabilized employment or a minimum wage scale. Neither has it demanded of their employers a code of ethics to protect these workers or consumers, although it has gone to unprecedented lengths to assure those same employers higher prices for their products, ample credit facilities at low interest rates and other concrete aids too numerous to list.

But perhaps these things aren't so curious after all, since the employers are our American farmers, the two and onehalf million workers their hired men, and politics is—politics.

New equipment needed . . .

★ IF, when, and as business becomes convinced that it has revived and is going to stay revived, there is going to be a tremendous demand for new equipment. Business for three years or more has been wearing out its old clothes and buying no new ones.

The railroads are a case in point. Figures presented by the American Railway Association show that in the month of May there were retired 410 locomotives and there were on order and building June 1 just two, a somewhat disproportionate figure, and a condition that can't go on indefinitely. That it isn't going to go on, is shown by a statement that the Baldwin Locomotive Company has just had its best month since 1931.

The man and the business which in 1930 figured how long they could make things last are now figuring how soon they can get new things.

The hand of government . . .

★ THE changing relationships of government and business under the new deal are the concern of every citizen. These two declarations made by two men powerful in the councils of the new administration should be read and digested:

BERNARD M. BARUCH:

If it is commonly understood that those who are cooperating are soldiers against the common enemy within, and those who omit to act are on the other side, there will be little hanging back. The insignia of governmental approval on doorways, letterheads and invoices will become a necessity in business. This method was used with success in 1918. It is a short cut to action and to the public support, without which no such plan can succeed.

DONALD R. RICHBERG:

The answer to this question is written plain in the universal support of the President's program of economic recovery. There is no choice presented to American business between intelligently planned and controlled industrial operations and a return to the gold-plated anarchy that masqueraded as "rugged individualism." There is only the choice presented between private and public election of the directors of industry. If the privately elected boards of directors and the privately chosen managers of industry undertake their task and fulfil their responsibility, they will end all talk of dictatorships and governmental control of business. But if they hold back and waste these precious hours, if they take counsel with prejudice and doubt, if they fumble their great opportunity, they may suddenly find it has gone forever.

Governmental economy . . .

★ THE economizers at any cost are complaining that the steps by the new administration to reduce the cost of government are more than offset by the additions due to such new activities as the loan banks, the recovery act, the public works program, and the securities law.

The charge may be true, but it should not be forgotten that the new measures are in large part temporary and that they may disappear or diminish while the changes in the old governmental structure are apt to be permanent and to put an end to activities which have long been questioned both as to their propriety as a function of government and as to their value in dollars and cents.

What may well happen, and what we should be grateful for, is that there has been a shaking up of dry bones, that some of the long accepted because unquestioned activities of government have been ended and may never be revived. The new activities can be dealt with when the occasion for them passes.

New words in the new deal . . .

★ NEW DEALS make new words and new uses for old ones. "Regimentation" is a favorite of writers of editorial articles and NIRA, for National Industrial Recovery Act, has gravitated from headlines where it was convenient to text where it is understood. In time it may appear in conversation.

In Great Britain during and after the war, DORA (Defense of the Realm Acts) was as familiar as beer or tea.

The Depression Army Moves to War

By PAUL H. HAYWARD

ON MARCH 31, this year, a bill "for the relief of unemployment through the performance of useful public work, and other purposes" was enacted into law.

Three months later, on July 1, this law had resulted in the enrollment of 274,375 men in the Civilian Conservation Corps and the establishment of 250,000 of that number in 1,330 work camps, set up in every state except Delaware. Recruited to full strength, the "forest army" is scheduled to number some 300,000 men, exclusive of administrative personnel and Indian recruits. Including these, the total number engaged by the conservation work reaches some 346,000 men, which is about 66,000 more men than the United States Army totalled during the Spanish-American War.

The law provides that these men are to "carry on works of a public nature in connection with the forestation of lands . . . the prevention of forest fires, floods and soil erosion, plant pest and disease control, the construction, maintenance or repair of paths, trails and fire-lanes" and other work incidental to such proj-

Under the general supervision of Robert Fechner, director of Emergency Conservation Work, four departments of the Government have cooperated in mobilizing these men and putting them to work.

The Labor Department undertook the selection of the men, acting through state and local relief agencies.

The War Department was charged with receiving, feeding, transporting, housing, clothing and physically examining the men. Incidentally, in carrying out these objectives, this Department has broken all American war and peacetime mobilization records.

The Department of Agriculture and the Interior Department, the first working through its Forest Service and the second through its National Park Service, drew up forest work programs which condensed into two years projects which under normal conditions would have been extended over ten.

All in all, the job has been exceedingly well done. A third-of-a-million men have been organized and put to work so



ONE phase of the fight on unemployment is being waged through the Civilian Conservation Corps. Progress and possible costs of the "forestarmy" are here outlined

quickly and quietly that the matter has created scarcely a ripple on the national consciousness.

The cost to taxpayers of keeping this army of men in the woods is as yet unknown. Director of the Budget Douglas. in hearings before congressional committees, put the annual cost at "somewhere in the vicinity of \$250,000,000" or a monthly cost of about \$20,000,000. A brief analysis of these costs, so far as they can be figured on the basis of information available July 1, shows something of both how this money is being spent and the organization of the army.

Take wages and salaries first. The 274,375 men reported enrolled July 1 were made up, save for 2,600 "bonus marchers" and 34,375 "experienced foresters," of unemployed, unmarried men, 18 to 25 years old and having dependents. Some 25,000 war veterans, 14,400 Indians and sufficient replacements to bring the "enlisted strength" of the forest army to a grand total of around

314,000 were scheduled to be added during July. At \$1 a day, the pay roll for these men will total \$9,420,000

This pay roll will be increased somewhat by regulations under which up to five per cent of the authorized strength of any C. C. C. company may be paid \$45 a month, instead of \$30, and an additional eight per cent may be paid \$36. Provided as an incentive to the men to do good work, these regulations may add as much as \$386,000 to the monthly pay roll.

To direct the technical activities of these men, 19,642 civilians are being employed. These include professional and trained foresters, landscape artists, engineers and on down through 60 categories, at salaries ranging from \$102 to \$255 a month and averaging about \$130. The monthly total comes to \$2,553,395.

These civilian employees and the "experienced foresters," the latter re-cruited among the unemployed in the vicinities of the camps, will have charge of the men only when they are actually at work. When in camp the men are under Army supervision. To provide this supervision, 5,192 military officers were on duty with the Corps as of July 1. Of these offi-

cers, 3,010 were drawn from the Regular Army, 1,672 from the Officers' Reserve Corps, and 510 from the Navy and Marine Corps. There were, in addition, 267 contract surgeons who, although not officers, occupied that status in the camps.

Officers in charge of camps

WHILE original plans contemplated placing a captain and two lieutenants in charge of each C. C. C. company of 200 men, officers of these ranks have not been available in some instances. As a result some camps and companies are in charge of majors. No figures are available as to the officers' average pay, but \$200 a month would doubtless be approximately correct. Such an average would make the monthly pay for officer personnel \$1,091,800. Only about a fifth of this, the reserve officers' salaries, is paid directly by the C. C. C., however.

In addition to the Army officers on (Continued on page 62)

*H.R.5755 ... AN ACT

To encourage industrial recovery, to foster fair competition . . .



PNEUMATIC answers ACTION with ACTION

H. R. 5755 is the prescription ordered by the nation's doctors. Industry as a whole welcomes and has faith in it as the cure.

But no prescription is fully effective unless the patient helps himself. With the shorter working hours and higher wages resulting from this act, a greater production efficiency is demanded, else finished costs will be too high to encourage the increased consumption needed to make this great effort succeed.

More work must be accomplished in less time. Production must be speeded and machines, as well as men, will be needed to do it.

Everything the individual manufacturer does

to increase his own production efficiency places him in an even better position to profit by the more desirable business conditions resulting from this act.

But how can you, and other manufacturers like you with temporarily depleted resources, afford to invest now in new equipment?

A Timely Offer to Industry

To meet this emergency the Pneumatic Scale Corporation offers a new and timely plan for securing needed packaging equipment. It eliminates the burden of heavy initial investment. It is flexible enough to meet the individual requirements of every business, large or small. It is an opportune plan which permits you to equip your plant for the new order of competition at once. We await your call.

PNEUMATIC MACHINES

Carton Feeders — Bottom Sealers — Lining Machines — Weighing Machines (Net and Gross) — Top Sealers — Wrapping Machines (Tight and Wax) — Capping Machines — Labeling Machines — Vacuum Filling Machines (for liquids or semi-liquids) — Automatic Capping Machines — Automatic Cap Feeding Machines — Tea Ball Machines

*THE NATIONAL INDUSTRIAL RECOVERY ACT

DNEUMATIC SCALE ACKAGING MACHINERY

PNEUMATIC SCALE CORPORATION, LTD., 67 NEWPORT AVENUE, QUINCY, MASS. (NORFOLK DOWNS STATION)

Branch Offices in New York, 117 Liberty Street; Chicago, 360 North Michigan Avenue; San Francisco, 320 Market Street Melbourne, Victoria; Sydney, N. S. W. and Trafalgar House, No. 12 Whitehall, London, England

How and Why of the Retail Code

By LEW HAHN President, the National Retail Dry Goods Association



If retailers do not adopt a code, the Government may make one for them

WHAT will have happened to the National Retail Dry Goods Association's proposed Retail Code of Fair Competition by the time this article is printed I do not know. Events are moving too swiftly these days to forecast happenings even a few weeks ahead. Nor, writing this immediately after the formulation of the code, have I had an opportunity to gauge the reactions of retailers, their employees or consumers to the tentative principles which leaders of the Association have outlined in that code. The reaction of the other of

the four parties involved in all these codes, the Government, is likewise unknown to me.

What questions will arise concerning specific provisions of the code, what objections will be raised, what amendments will be suggested, I cannot say. It is certain, however, that any code or codes which may affect the 1,500,000 retail

AN END to chiselling, pricecutting, and profitless sales are a few of the benefits Mr. Hahn sees as a result of the retail code proposed by his association. Retailing's 6,000,000 employees also benefit

outlets in this country and the more than 6,000,000 retail employees, to say nothing of our millions of consumers, must develop a multitude of opinions, criticisms and suggestions.

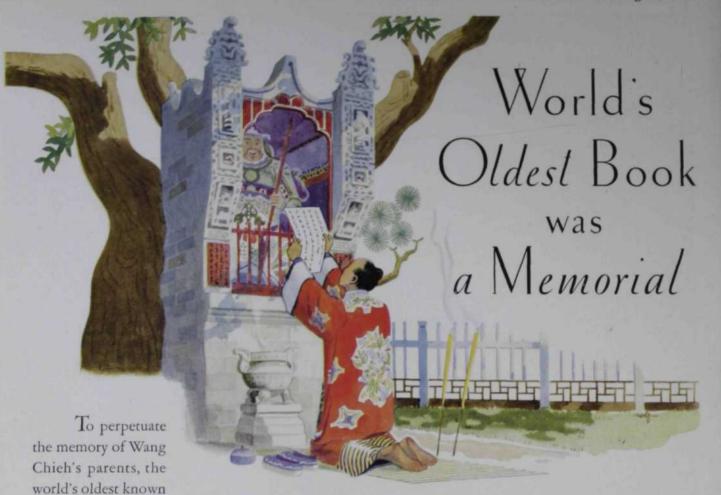
We have advanced this code not as a finished product but as a tentative proposal, made as simple as possible and aimed only at correction of the worst abuses in retailing. We have confined it to the mandatory labor provisions of the Industrial Recovery Act and certain rules of fair competition for observance within our own trade.

The press has already outlined the code itself. I shall confine myself here to the story behind the code, to its how and why.

First, why has the National Retail Dry Goods Association formulated and advanced this code?

As far as the Association itself is concerned, because it represents some 4,000 of the largest and most important retail outlets. Other retail groups are working upon their own codes and our own group has consulted freely with them through the medium of the Retailers' National Council. The aims of the various divisions of retailing are much alike, and it is hoped that all these separate codes can be blended soon into one acceptable national retail





book was printed. The inscription reads: "Printed on May 11, 868, by Wang Chieh, for free general distribution, in order in deep reverence to perpetuate the memory of his parents."

There may be undiscovered examples of earlier printing because paper had been made in China for perhaps a thousand years when Wang Chieh printed his memorial from blocks. Movable type apparently was not used before the year 1041.

Wang Chieh printed on but one side of his crude hand-made "laid" paper. Later, printers used both sides of their sheets, but until Kleerfect was perfected, there was always a "two-sidedness" to book papers in the price range of Kleerfect, a condition making uniformity of printing difficult.

In Kleerfect, both sides are alike, permitting uniform quality of printing throughout a publication, book or catalog.

Nor is that the only distinction of Kleerfect. For centuries, printers have sought a paper in which there was a perfect relationship of strength, opacity, smoothness of surface without glare, proper ink absorption, and a uniformity of color that gave exactness to color reproductions. In Kleerfect, printers find perfect balance of those long sought qualities.

Kleerfect—The Perfect Printing Paper—is available to publishers, printers, and advertisers for magazines, catalogs, and other printing at a price no higher than that of just printable paper.

• "The Printability of Certain Papers—and Why," shows the revolutionary effect of Kleerfect upon the art of printing. The book contains examples of one and of multiple color printing and of rotogravure. A copy will be sent free upon your request on your business stationery, mailed to the Advertising Department at our Chicago address.



This advertisement is NOT printed on Kleerfect

code. We believe that the final code, when it is evolved, will strongly resemble the one we have advanced.

Why a code at all? The answer divides itself into three parts—legal, economic and social.

The Industrial Recovery Act, in its implications at least, demands that retailers shall operate under a code. Any belief that retail distribution is exempt from the law's requirement fails of substantiation when the scope of retailing, its great influence on the producing industries and all business, are considered. If retailers do not formulate a code of their own, men the President may prescribe one for them.

Remedy for abuses

ON economic grounds, such a code as we have outlined offers a remedy for some of the many abuses which have crept into retailing in the past three years—unfair price competition, misleading advertising and selling methods, advertising derogatory to the goods, services and prices of competing merchants, and others.

Socially, such a code is justified by the promise of improved wages and working hours which it extends to the more than 6,000,000 persons behind the counters of the nation's stores. To the consumer it will bring honest merchandise, honestly sold at honest prices. If, in its detailed workings, it ends some of the present wasteful practices in distribution, as we believe it will, its ultimate benefits to consumers need no emphasis.

Finally, why have we advanced a code extending across the whole broad front of retailing, a horizontal proposal, so to speak, rather than awaiting vertical codes whose provisions would apply to each class of merchandise from its production to its final placement in the hands of the consumer?

We have done this principally in the interests of simplicity. The complexities which would confront retailers from vertical codes can be imagined when it is realized that the average large department store stocks 200,000 separate articles of merchan-

The Retailer's Code in Brief

(As submitted, in tentative form, for the consideration of members of the N. R. D. G. A, and other retailers. It should be distinctly understood that these ideas were suggested for the reactions of the trade and Administration, with the full understanding that if they did not meet with the approval of either they would be altered to conform with the ideas of the trade and particularly those of the Administration.

* SECTION I

PROVIDES that employees shall have the right to organize and bargain collectively.

Sets maximum working hours at 48 a week, except for a period of two weeks before Christmas and two days a year for inventory.

Establishes the following minimum weekly wage

For male employees more than 18 and with one year's experience in a retail store.

a. Within metropolitan areas of over 1,000,000 population, \$18.

b. Within metropolitan areas of from 250,000 to 1,000,000 population, \$15.

c. In the entire balance of the United States, \$12. For female employees more than 18 and with one year's experience in similar areas, \$12, \$11, and \$10.

For junior employees of both sexes and for apprentice employees more than 18 and with less than one year's experience, \$11, \$10, and \$9.

* SECTION II

DESIGNATES as unfair competition:

Selling or advertising at retail any merchandise at less than net invoice cost plus ten per cent (does not apply to seasonal clearances of merchandise, perishable or damaged goods, nor goods sold for the purpose of discontinuing their handling).

Advertising which misrepresents merchandise values or services; selling methods which tend to mislead consumers.

References in advertising to goods, services or prices of competing retailers.

Statements or representations which lay claims to a policy or continuing practice of under-selling competitors.

Offering for sale any product of a penal institution.

* SECTION III

Provides for a National Retail Recovery Board consisting of one or more representatives from national retail organizations.

Recommends that each local trading area be required to set up a tentative Local Retail Recovery Board representative of association included in the National Board and such others as may be important locally. These local boards shall be certified to the National Board, shall draft such regulations as are necessary to make the National Retail Code applicable to their own business situations, and shall report those regulations to the National Board. Regulations of local boards shall be administered without discrimination, Appeal from their decisions may be made to the National Board.

dise. Retailers, both for their own protection and to effectuate wage provisions of the Recovery Act, should and must have a code which will consider and cover retailing's peculiar problems. The relationships between manufacturers, wholesalers and retailers doubtless will be covered by other codes prepared cooperatively by the parties at interest.

Why were the various provisions of our code adopted? Let us begin with the proposed code's first division, which assures employees the right to organize and bargain collectively, establishes minimum wages and sets maximum hours of labor.

A difficult task

THESE provisions are mandatory under the Industrial Recovery Act. Retailers perforce must fall in line with the rest of American business in accepting these principles. Tremendous difficulties attend the setting up of minimum wage scales and maximum hours in retailing, spread over the entire country, with stores of varying types established in communities ranging all the way from the small agricultural to the large industrial and employing all sorts of labor. But whatever the difficulties, they had to be faced. The Committee of the National Retail Dry Goods Association gave these matters of wages and hours widest and fullest discussion. We tried to strike a medium which, on the one hand, would be satisfactory to labor and to Government and, on the other, would be practical enough to enlist the support of the vast majority of retailers. Minimum wages and maximum hours must be established and the figures we have tentatively set up were adopted in the belief that they accorded with the Government's general objective of decent living and hours for all workers. No group of men could establish hours or wages which would perfectly fit all the varied requirements of our stores, but we feel that those we have set forth do so as fairly as is possible to all concerned. If certain retailers object that the minimum wage has been set ruinously

high I can only point out that President Roosevelt has stated that any business which cannot pay its employees a wage which will insure more than a bare existence has no right to exist.

If it is argued that a 48-hour week is too long, in view of the Government's pronouncement for 30 to 40 hour weeks, it may be pointed out that, while a short work week may be desirable for manufacturing industries, partly to limit production, entirely different conditions exist in the distribution field. The purpose of the Recovery Act and the interests of manufacturing industries will be best served by doing everything possible to facilitate the flow of manufactured goods to consumers. This objective of maximum consumption can best be achieved by continuing to meet the convenience and demands of customers in the matter of store hours.

A cure for unfair trade

WHY was the second division, covering unfair competition, adopted? Because, in addition to the mandatory requirements, the Industrial Recovery Act provides that each industry or trade may set up provisions for the elimination of unfair competition. Thus the Act presented an unusual opportunity to end abuses which we all recognize. These unquestionably center about unrestrained price-cutting and underselling claims.

The provisions covering these abuses were adopted by an overwhelming majority of the committeemen and directors of our Association.

The first of these provisions declares that "it shall be unfair competition for anyone to sell, offer for sale or advertise to the public at retail any merchandise at less than the net invoice cost plus ten per cent to insure that labor cost shall at least be partially covered." This, we know, will neither eliminate price competition nor insure net profits to retailers. The ten per cent figure is a purely arbitrary one, adopted in the full realization that it is not a satisfactory substitute for the gross margins required by the normal expenses of doing business. It does cover, however, at least a portion of the retailers' actual labor cost and indicates our trade's determination that retail prices must absorb part of those costs. Of course, when freight is a substantial factor, it should be added to the invoice cost.

Exemptions from this ten per cent provision outlined in the code provide adequately for special situations. Regarding this provision's application during a prolonged period of falling prices, such as we have just experienced, I believe that a satisfactory basis of averaging invoice costs can be reached. The spread between the ten per cent and the usual retail prices will provide some-

high I can only point out that President thing of a cushion for the normal ebb Roosevelt has stated that any business and flow of prices.

The other provisions under Section II, relating to advertising methods, are self-explanatory and will, I feel, at once enlist the support of most retailers.

The third and final section of the code deals with its administration, locally and nationally. It contemplates a National Retail Recovery Board consisting of representatives from national retail organizations, and Local Retail Recovery Boards in each trading area.

These local boards would be charged with drafting such regulations as necessary to effectuate the National Code in their own areas, it being understood that the National Code provisions will represent the minimum requirements. If the local boards wish to extend their local codes to correct abuses not covered by the national code, or to improve specific local practices which are recognized as uneconomic, I see no reason why they should not do so.

It is not contemplated that the jurisdiction of these local boards should be limited by political boundaries, but rather that they embrace clearly recognizable trading areas. Perhaps, in the working out of this provision, it will be found impractical to include the small, isolated stores in rural areas and in villages of four or five hundred population. No great harm would be done to the plan by entirely exempting them.

While the code provides that regulations of local boards shall be drafted and administered without discrimination, individual retailers would have the right to appeal decisions of these boards to the National Board. The decision of the National Board would be binding. Teeth for the enforcement of such decisions lie in the licensing penal provisions of the Recovery Act. If a "recalcitrant minority" should hold out against the will of the majority of retailers, the National Board would simply appeal to the President, who is empowered to resort to licensing to make the code effective. Retailers refusing to adhere to the code would be refused a license to operate and would have to shut up shop.

This answers at least some questions as to why we have advanced this code and why particular sections were incorporated. I have also indicated something of how it will work, when and if it is adopted.

Is it, as it stands, then, a practical and workable plan? I believe it is. I believe that retailers, as well as leaders in industry, realize that the old order has come to an abrupt end, that for two years at least we must live under a new one. The old system was fiercely competitive. Business concerns in the past have been required by the antitrust laws to follow individualistic courses. Profit was our greatest, if not indeed our only, motive.

The new economy will be a balanced economy. Retailing not only will be required to bring profits to merchants, it must also bring decent livings to millions of workers. The underlying principle of the new order will be cooperation. Competition will still be with us, but the old system under which business concerns subverted every other consideration while they fought each other to the death is definitely on the way out.

Frankly I am glad of that. I have always puzzled over the circumstance that in all lines of business as we have known them the greatest profits seem to come from the most unsocial lines of conduct. Back in 1929, for example, it was early apparent that dismissal of employees would only deepen the depression. Yet the man who most quickly cut expenses by dismissals and wage cuts had at least the most likely chance to maintain net profits or to minimize losses. Our obligation to protect our own enterprises forbade our attempting to protect society.

It has always been that way. In dealing with our employees, with whole-salers and manufacturers we have been obliged to attune our business to the most selfish course which might be adopted by any of our competitors. It has never been a question of what was a fair price; every buyer has been obliged to chisel for the lowest price.

Want fairer business

I AM sure that we retailers are tired of such sharpshooting; we are tired of misrepresenting merchandise to our customers and then finding that our competitors can misrepresent more than we can; we are tired of chiselling manufacturers only to find that our competitors are better chisellers than we are; we are tired of underpaying our people; we are tired of throwing profits away to meet ruthless competition.

We face the problem of ending these conditions or continuing them. Shall we, through a national retail code, join hands between ourselves and with the Government to clean up? Or shall we sabotage the Recovery Act? We can do the latter if we desire. The new law is one which the Government can never enforce without the cooperation of the industries and trades it affects.

I am sure that our trade will not take the second course. I know that the men of good will among us far outnumber the others. I know that this is our opportunity to make our business more nearly conform to the ideals in the hearts and minds of the best men in our trade. It may be that through such cooperative action some of us will have to surrender some of our pet ideas, but what of it? We shall never have another chance to lay hold of a plan of action as great and as satisfying as this one.

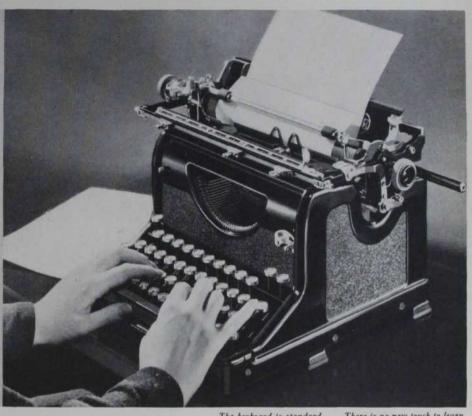
he speedy hands of the typist need never leave the keyboard

THE MOTOR RETURNS THE CARRIAGE

A mere touch of the "return" key which is conveniently located on the keyhoard, causes the motor to return the carriage to the starting position, or to any predetermined intermediate point. Spacing to the next writing line is automatic . . . and accurate.

THE MOTOR SHIFTS TO CAPITALS

A light depression of the "shift" key (normally used to shift the platen manually) causes the motor to shift the platen instantly to the upper position. Thus, "shifting" is instantaneous, light and easy . . . the motor does the work.



The keyboard is standard . . . There is no new touch to learn

Think what this new development means in the saving of time and energy; how much faster and easier it makes typing; how it increases production and results in a consistently better grade of work.

Like all Burroughs machines, this new typewriter is built to give long, dependable,

economical service. It is guaranteed by Burroughs; it is backed by Burroughs' own worldwide service organization...skilled and experienced in servicing electrically controlled Burroughs machines.

Burroughs Electric Carriage Typewriters as well as all other Burroughs typewritersare now being displayed at local Burroughs offices. Telephone for a demonstration, or write for illustrated, descriptive folder. Burroughs Adding Machine Company, 6228 Second Boulevard, Detroit, Michigan.

BURROUGHS -lectric Carriage TYPEWRITER

The Market Business Forgets

By JOHN J. McCARTHY McCann-Erickson, Inc.



THE tourist camp industry has grown up and prospered in depression. Its investment is now \$250,000,000 and it has 30,000,000 patrons who might buy your goods



A few of the tourist cottages at Wa-Wona Court, Corvallis, Oregon

YES, pardner, it seems this summer as if all of America is on

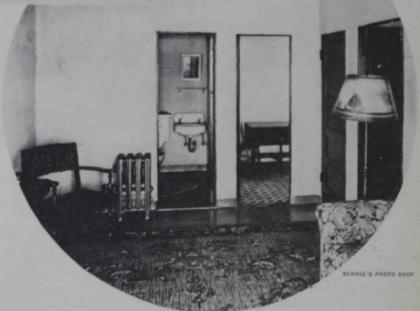
The speaker was R. R. Sisac, pleasant, fortyish, hospitable host and owner of Mesa Lakes Resort, "the home of the rainbow trout on the Grand Mesa," Skyway, Colo. The time was an August evening, 1932. We had just finished a most delectable dinner (price 75 cents) and were inquiring about a night's lodging in one of Mr. Sisac's completely furnished modern cottages for two people (rate \$2

Mr. Sisac wanted to take care of us but was not sure just when he could. All that week, his tourist cabins had been in great demand. In fact, it had been the same story all summer. Even his family cottage de luxe (\$6 a day) had been rented regularly. Meantime, while kindly Ma Sisac was scouring around to see if that party in

Cottage No. 8 was leaving so that we could be put up for the night, Pa Sisac was discussing the national motor tourist traffic and trade.

Of course, Pa Sisac was frequently interrupted in his travel discourse. His duties were evidently many and varied. In addition to his restaurant and cottages, Sisac also operated, aided by several waitresses who also doubled as clerks, a complete grocery, tobacco and candy shop along with a filling station.

On the side, Boniface Sisac sold tackle and camper supplies and provided entertainment for his guests with game boards, saddle horses (25 cents an hour, \$2 a day), boats



How the Mission Bell Auto Court, Ventura, Cal., meets the modern tourists' demands for comfort on the trail

(25 cents an hour, \$1.50 a day) and guides (50 cents an hour).

With diversions and rates as these, the Mesa Lakes Resort naturally attracted plenty of 1932 motor tourist trade. This thriving patronage undoubtedly prompted Sisac's remarks about "all America being on wheels."

The Mesa Lakes Resort was no exception among tourist camps. The 30,000 other typical tourist camps and cottages in the United States also did a thriving business not only in 1932 but in two previous depression years, 1930 and 1931. Even the depression with its toll of unemployment and deflated pocketbooks has failed to dampen America's interest in travel and its annual vacations. The fancy priced mediums

Imagine being able some day to take a vacation whenever you please, as long as you please



WHILE you are on your summer vacation, dream about your future. It seems closer on long lazy days than on busy ones. You think of the many things you would like to do if only you had the time and the money. When this vacation is over, why not plan for others later on?

You do not need a fortune in order to be financially independent. There is a sure way for you to have future leisure and freedom from money worries—build a Retirement Income. The day you start, you own something.

You may have thought that an income which would supply you with enough for living expenses and pocket money is beyond your reach. But you may be most agreeably surprised when

you discover that a trifling daily economy in personal expenditures will provide the desired Retirement Income.

The convenience of the new Monthly Payment Plan of buying insurance appeals to many. If you wish, a representative of the Company will call once a month for your regular instalment, making checks or moneyorders unnecessary.

Self-supporting business and professional women, looking ahead, find the Monthly Payment Plan admirably adapted to their needs.

Mail this coupon—or send for a Field-Man who will be glad to help you plan a Program of Insurance which will protect your family and provide a Retirement Income for yourself. Have a well-rounded Program of Protection. The Metropolitan's contracts afford a means to

- -create estates and incomes for families
- -pay off mortgages
- -educate children
- -provide income in the event of retirement
- -establish business credits
- stabilize business organizations by indemnifying them against the loss of key-men
- provide group protection for employees covering accident, sickness, old age and death
- provide income on account of disability resulting from personal accident or sickness.

Metropolitan policies on individual lives, in various departments, range from \$1,000 up to \$500,000 or more, and from \$1,000 down to \$100 or less—premiums payable at convenient periods.

The Metropolitan is a mutual organization. Its assets are held for the benefit of its policyholders, and any divisible surplus is returned to its policyholders in the form of dividends.

Metropolitan Life Insurance Company, 1 Madison Avenue, (N New York, N. Y.

With no obligation on my part, I shall be glad to have details regarding a practical way to provide a Retirement Income.

NAME

ADDRESS

CITY

STATE



METROPOLITAN LIFE INSURANCE COMPANY

of summer enjoyment may not be luring their usual quota of trade in these times but the moderately priced tourist camps are certainly getting theirs.

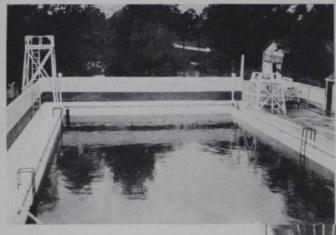
Instead of making the usual two-weeks stay at an expensive resort last summer, Mr. and Mrs. Average Public simply flipped the youngsters and luggage into the family chariot and started out to see the country. If Dad had no job to get back to, the family toured all summer. Staying at tourist camps was cheaper than paying rent.

Tourist camps enjoy good business

ACCORDING to estimates, more than 30,000,000 persons patronize these tourist camps annually. Not a small percentage of their year round patronage comes from commercial travelers, who, because of greatly reduced expense accounts, must find accommodations at low costs.

In every section, especially near the National Parks, tourist camps last summer reported increased patronage. The annual report of Horace M. Albright, director of National Park Service, shows that, despite the depression, 3,745,596 persons last summer visited the various National Parks against 3,544,856 in 1931. The majority of these came by motor car. Superintendent Rogers of the Rocky Mountain National Park in Estes Park, Colo., told us that all the tourist cabins in the Park were occupied practically the entire summer. Superintendent Finan at Mesa Verde National Park, Colo., reported a like situation.

Of course, the tourist camp really dates back to the "Tin



The Sunshine pool gives a resort touch to the Plainfield, Ind., camp

Can" motorists of the first cross-country touring. The tourist camp of those days was simply an open parking space usually outside of the city limits. The motorists carried their own camp equipment.

The first official notice of the existence of motor tourist camps came in 1922 when the Chamber of Commerce issued a bulletin which indicated there were more than 1,000 such camps. They were usually owned or operated under the supervision of the local chambers of commerce or civic organizations. Their main purpose was to attract the touring public to various localities. However, with the advent of nation-wide road building programs, and the increased demand for greater comfort and more privacy, the old-time tourist camp passed away. In spite of the improvements in tourist camps in 1927-'29, the industry did not really get under way until the depression summer of 1930. Its growth has been natural and sturdy. The tourist camps with their present large scale operations, valuable investments in property and equipment along with their enormous annual patronage comprise a new industry and market which has come to stay.

A recent survey conducted by the Cornelius Publications, Indianapolis, reveals that there are 30,000 of these tourist camp and cottage establishments in the United States. Of this number, 12,500 are of a representative type averaging ten cottages or more. The average estimated valuation of these representative tourist camps and cottages is \$20,000. The total valuation is placed at \$250,000,000 with 300,000 cottages and 450,000 beds.

This survey shows that 70 per cent of these camps and cottage establishments sell groceries; many have completely stocked and well arranged stores; 72 per cent have a dining service, restaurant and soda fountains; 75 per cent handle gasoline, oil and automobile accessories; 75 per cent are open the year round; and 75 per cent are contemplating improvements and additions this summer.

As the Cornelius survey figures indicate, some of these tourist camps are elaborate establishments, offering the traveler all the modern accommodations and conveniences. Some tourist camps are little communities in themselves with swimming pools and playgrounds, entertainment halls and other attractions usually associated with a resort hotel. Most of these large modern camp villages are in California, Colorado, Maine, Minnesota, and upper New York State. Rates run from 50 cents to as high as \$6. The average prices are \$1 and \$2.

In larger and more modern establishments, you will usually find nothing but the standard equipment.

In the grocery, tobacco, candy stores and filling stations connected with these camps, the products offered for resale are mainly those which are nationally advertised.

This loyalty to nationally advertised products is possibly due to one fundamental feature of this tourist camp market; a pertinent feature which makes it uniquely and basically different from that of any other market of similar giant size today. This tourist camp industry and market is still about 90 per cent independently owned and operated. There are no big chain organizations; no effective voluntary chains of in-

(Continued on page 63)



A tourist camp grocery store. The preference is for nationally advertised goods and terms are usually cash

The AIR RAID known as summer sump



.. meet it with AIR CONDITIONING

• When collars wilt and dispositions sour, business follows suit. "Summer slump" it is commonly dubbed...but actually it's the seasonal raid of heat, humidity, dead air, and dust...stifling sales, paralyzing employe efficiency, leaving a trail of "red ink" wherever profits can be affected by uncomfortable air conditions.

In Westinghouse Unit Air Conditioners business finds the weapon to fight off "summer slump." For stores, restaurants, offices, beauty and barber

shops, Westinghouse Air Conditioners provide complete air conditioning... cooling and de-humidifying in summer, heating and humidifying in winter, filtering and air circulation the year 'round.

Installed without expensive building alterations, smartly designed, skilfully engineered for ample capacity, these unit air conditioners are a sound economic investment.

Mail the coupon for additional information.



Cabinets are smartly designed; finished in modernistic Micarta or in natural wood tones; suspended types to harmonize with individual interiors.

Westinghouse W Unit Air Conditioner

Westinghouse Electric & Mfg. Co., East Pittsburgh, Pa.
Please mail your book "Air Conditioning for Health, Comfort and Profit" to
Name
Business
Address(N. B. 8)

PENNEY A Local

WHILE an earthquake was destroying the business district of Compton, Cal., the Chamber of Commerce got busy on a plan which not only kept business going but improved it

The shopping district is in ruins but the firms are open for business

C DENNEY CO.

SAYINGS I

LC PENNEY CO

WHEN the recent earthquake hit California, the city of Compton, near Los Angeles, felt its full force. Its business district was shaken into a mass of ruins. Yet, by seven o'clock the morning after the disaster, while the earth was still trembling under the debris of what was once a town of 12,500 people, Compton, Calif., had gathered itself together and was carrying on.

Its action in this tragedy has been described by Secretary Arnoll of the Los Angeles Chamber of Commerce as "the most outstanding achievement of the year for any Chamber of Commerce in the country. It is a lesson to business men to organize and keep organized."

Certainly, only through organization could Compton business men have staged their remarkable come-back. Today Compton is a city under one roof. In a huge building covering about 80,000 square feet of space, which in the heyday of the oil industry was used for exhibiting machinery and implements, 86 different lines of business, including three banks, are operating. Here, too, are the post office, police department, municipal court and a large meeting place for the Chamber of Commerce and luncheon clubs.

In a large tent adjoining the building is the motion picture theater, jointly controlled by the several theaters which operated in the city before the quake.

This compact business district exists



Three barks, a post office, a police department and a court room find quarters in the city under one roof

because of the aggressiveness of the Compton Chamber of Commerce and the ingenuity of its Secretary, D. L. Holland. By 2:30 the morning after the quake, when it became evident that Compton's business district was wrecked beyond immediate repair, Mr. Holland had obtained an option on the exposition building. By 6:30, on his own responsibility, he had signed a lease on the building for three months, with an option for three months more. This option has since been exercised. By noon, 31 merchants had signed up for

space in the new community business district. By evening the number had grown to 63 who took space for the three months period. The others of the 86 came in later.

Space was rented to the merchants at four cents a square foot and each lessee agree to erect a 12 foot partition at the back and at one side of his space. This arrangement kept each business separate.

In the layout of the building for its new purpose, the aisles were given the names of the streets in the destroyed

Chamber Whips Disaster



This huge structure, once an exposition hall, now houses Compton's entire business section

Compton business district. Each firm taking space was given the same location it had had before the disaster so that the housewife on a shopping tour has no trouble finding the firms she seeks. Strangely enough, many of the firms are doing better business than they did before the earthquake.

The building and adjacent grounds are in excellent sanitary condition, meeting all the requirements of the County Health Department. Police and fire protection is also adequate. There is convenient parking space for 1,500 automobiles.

The business district of Compton is being rapidly rebuilt with the present community motto: "We Will Rebuild With Confidence in Compton."

All the new buildings will be earthquake-proof and the fronts will be the latest design. The building code recently adopted by California includes definite regulations regarding the type of buildings permitted, the materials and the form of construction. This code is being rigidly enforced under the general supervision of the Compton Chamber of Commerce. The present hope is to move into these new quarters by September 1. In the meantime, business is going on in Compton.



Finding favorite firms is simplified by naming aisles after streets and giving each store its previous address

No Business Can Escape Change

Automatic pottery-making machinery has been developed which, it is estimated, will turn out up to 14,400 dozens of dinnerware shapes in 24 hours. Clay is fed in at one end; the finished product, ready for the kilns, comes out at the other. Three men and the machine do the work of 100 men. . . .

A new machine wraps and seals 600 pies an hour, encasing them in a transparent wrapper which is sealed to the under side of the pie-plate rim. . . .

A new machine has also been devised for packing fruits and vegetables in small bags. It requires three operators, is said to be capable of handling 600 small bags an hour. . . .

Exterior wall surface and backing are combined in a new wall unit consisting of a concrete block into one face of which is cast any of the common façade materials—brick, limestone, terra cotta, marble, granite, etc. . . .

A new "synthetic" stone is composed of shale and alkaline earths and a quarry-waste filler. Said to have physical qualities similar to stone, it can be molded in a variety of colors, shapes. . . .

High weather resistance is said to mark a new cement-coated steel sheet for building purposes. It's offered in colors, permits "textured" finishes for corrugated roofing and siding. . . .

Said to give all the advantages of steel frame construction at the cost of reinforced concrete, a new type of floor and roof construction utilizes an all-steel-and-gypsum slab. It is light, rapidly erected, requires no shoring. . . .

The shrinkage factor in wood frame construction is said to be controlled by a new metal joist fitting—a pressed steel stirrup of novel pattern which eliminates nailing of joist to stud. . . .

A new water-resistant wall paper, coated with neither varnish nor lacquer, has been developed. Offered in glazed or unglazed finishes, it can be wiped with a wet cloth without removing the print, permits erasure of pencil or wax crayon marks. . . .

The all-electric kitchen now has a rival in an all-gas kitchen—a flexible unit which can function as refrigerator, stove, water heater, cabinet, work table, and concealed heating unit for the entire house. . . .

A new compact, pneumatic check for screen and light storm doors disconnects from the jamb when the door opens, permitting free outward swing. It has no adjusting screws or springs. . . .

Window screens are now being merchandised in cartons, complete with frames and fittings, ready for assembly. . . .

A new "electric broom" sweeps clean hard surfaces as well as rugs. It weighs 4¾ pounds, has a molded resin receptacle clipped to the handle into which dirt is filtered and compressed. . . .

New in lifts: An automatic electric home elevator which takes up no space downstairs when not in use—and which stops instantly should the cat be sleeping under it when it descends. A new automatic, electric, under-the-counter dumbwaiter for retail stores which needs little space, no pit, carries 300 pounds. . . .

Latest applications of elastic yarn: women's gloves; women's hats which fit any head; riding breeches; inserts in women's pumps, said to eliminate cutting and pinching across the foot; inserts in leather windbreakers to allow free arm action; men's suits....



An ordinary kitchen knife is all that's needed to loosen a new easy-opening top for glass containers

NEW accessions of purchasing power mean new buyers coming into the market, the fulfilling of old wants, the arousing of new ones. Change promises to accelerate its pace in the days which are ahead

A simple, portable instrument has been devised which registers transparency of flat materials directly on a meter. It's expected to find application in paper, textile and other industries. . . .

Cost of industrial X-ray work is said to be reduced by a new paper film to be used in place of celluloid film. . . .

Surgical scissors are now being made with removable and renewable cutting edges which slip into grooves in the shanks. . . .

Operation of pneumatic tools is said to be improved by a new automatic control valve for compressed air lines which minimizes pressure losses. . . .

Desk helps: Press on a new closed pin container and a pin places itself head up between the fingers. Ink is kept at bottleneck level in a new bottle—a well inside the neck fills when the bottle's tilted. . . .

Selenium is used in a new insecticide which is said to control red spiders. Use thus far is limited to ornamental plants and certain fruit crops where spray residue is unimportant. . . .

Beer's offspring: "Synthetic hops"—a synthetic oil product, one pound of which is said to be equal to 25 of hop compound; lightweight aluminum beer barrels which require no pitching, painting or linings; absorbent pulpboard table mats, made in colors. . . .

Even lollipops can't escape change. A heightened safety factor is claimed for a new one in which a flexible loop handle, made of a special type of paper, replaces the usual wooden stick. . . .

-PAUL H. HAYWARD

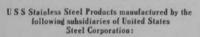
EDITOR'S NOTE—Material for this page is gathered from the many sources to which NATION'S BUSINESS has access and from the flow of business information into our offices in Washington. Further information on any of these items can be had by writing us.

F E

IF IT MAKES A BETTER STEAM *KETTLE

*Or fish hook, or still tube, or automotive part, or door latch...





AMERICAN SHEET AND TIN PLATE COMPANY
Pittsburgh
Steel Sheets and Light Plates

AMERICAN STEEL & WIRE COMPANY

Chicago Cold Rolled Strip Steel, Wire and Wire Products

CARNEGIE STEEL COMPANY, Pittsburgh Plates, Bars and Semi-Finished Products

ILLINOIS STEEL COMPANY, Chicago
Bars, Plates, Special and Semi-Finished Products

NATIONAL TUBE COMPANY, Pittsburgh
Pipe and Tubular Products

Pacific Coast Distributors: Columbia Steel Company San Francisco

Export Distributors: U. S. Steel Products Company New York City



...IT WILL MAKE SOME-THING better FOR YOU

You are face to face every day with examples of the virtues and excellence of USS STAINLESS and Heat Resisting Steels. Why not apply such virtues to purposes of your own? The foundation of lasting beauty and usefulness in any object is the character of the material from which it is made.

Qualities that fit the intended use—modifications nicely governed with particular results in view — such are the advantages provided in the series of USS STAINLESS and Heat Resisting Steels. Six principal formulas cover all ordinary requirements. Name your field and your specific purpose, and competent technicians will recommend a grade whose properties and cost are adapted to your need. Correspondence is invited. Write today for descriptive literature.

STAINLESS and Heat Resisting ALLOY STEELS

USS Chromium-Nicket Alloy Steels are produced under licenses of Chemical Foundation, Inc., New York: and Fried, Krupp A.G. of Germany

Questions the Bank Bill Raises

By WARREN BISHOP



J. F. T. O'Connor, Comptroller of the Currency

Admitted to the bar in 1908, he practiced law in Grand Forks until 1925 when he became a member of the law firm of McAdoo, Neblett, O'Connor and Clagett in Los Angeles. As a member of the North Dakota House of Representatives he was active in the fight against the Non Partisan League State Socialist constitution. Has been a candidate for Governor of North Dakota and for the U. S. Senate. The fact that he has never been an officer, director or attorney for a bank is reputed to have carried much weight in his selection as the man to enforce the new banking regulations. An outsider's view of banking was sought.

knows about the new bank actthe Glass-Steagell Act-and he will tell you that it guarantees bank deposits, that he need no longer fear to put his money in a bank since he is He is used to insurance, and he is inassured that he will get it back.

He approves the idea. If he has not a story from his own experience, he has heard from a hundred others of their

ASK the average man what he troubles. He has a letter from his brother asking a loan because the home town banks are closed; he finds it hard to make collections from his customers who reply that their money is tied up. clined to welcome what he thinks of as a new sort of insurance.

> Ask the banker how he feels about it and he is cautious in his replies. He

WILL the guarantee of deposits make for safer or weaker banks? Opinion on this question, as on other questions raised by the Glass Steagall Act, is divided

questions the effect on the lending functions of the banks, he asks himself if the Act will lead to careless banking. and he recalls the unhappy history of state legislation to guarantee bank deposits. More than that he is disturbed by the possible effects of another provision, that forbidding paying interest on demand deposits, particularly the deposits of smaller banks in the banks of the metropolitan centers.

First, let us summarize the method set up for guaranteeing bank deposits and then consider the arguments for and against it. The Act creates a Federal Deposit Insurance Corporation managed by a board of three, the Comptroller of the Currency and two others appointed by the President. The corporation is to aid in the liquidation of closed banks and insure deposits in certain banks.

Here are, very briefly, the extent and the time in which deposits are insured:

From January 1, 1934, to July 1, 1934, deposits up to \$2,500 are insured in every bank which is a member of the Federal Reserve system and any non-member bank which gets a certificate from the proper State official that it is solvent and passes the examination of the insurance corporation. (This may be advanced before January 1, 1934, by order of the President.)

From July 1, 1934 to July 1, 1936, deposits are insured as follows:

One hundred per cent of the first \$10,-000; 75 per cent of the next \$40,000, and 50 per cent of the remainder. This applies to all banks in the Reserve system and to all non-member banks which have been members of the temporary plan and which subscribe to stock in the Insurance Corporation on terms fixed by the Act.

From July 1, 1936, the amount of in-

Purity is Essential

... in a FOOD YOU EAT at 1095 MEALS A YEAR"



AMERICANS eat just about a half pound of salt apiece every month... 6-8 pounds a year. That's their meal-time ration, their direct use. But ten times that much is produced for their indirect use; in the arts, in textile, chemical, dyeing and pottery industries, in ice cream freezing, in food preserving, in water softening, in the manufacture of cheese and butter, and in animal husbandry.

"All salt produced for food purposes ought to be strictly protected against contamination. All Worcester Salt is so protected by Monel Metal.

"No other metal, in our experience, can approach Monel Metal in its absolute resistance to brine corrosion. No other has such toughness to withstand the constant wear of salt crystals.

"We started using Monel Metal more than a quarter of a century ago. When we installed our first vacuum pans, we obsoleted all former salt-making methods, and were the first manufacturers able to produce a clean, finegrained, free-running salt, without

Striking facts discussed by
H. C. Mandeville, President
of Worcester Salt Company

Tushing or grinding. Our rotary driers

You recognize its useful qua

crushing or grinding. Our rotary driers are from 30 to 45 feet long and 6 feet in diameter. They are completely lined with shining Monel Metal which resists both the corrosive, and erosive, action of the salt and offers a clean, smooth, sanitary surface which cannot chip or crack. Thus it protects Worcester Salt from impurities. Certain parts of our carton and labeling machinery are made of Monel Metal, and carry the cycle of protection through every step of manufacture right up to the pantry shelf."

Dramatic as is the use of Monel Metal to insure exceptional purity in your table salt, it only serves to typify the many applications of this versatile metal and its useful qualities. It is absolutely rust-proof; highly resistant to corrosion, even by acids and alkalis; and, in addition, it is as strong as steel.

恭

You recognize its useful qualities in Monel Metal kitchen sinks and range tops, in cabinet and table tops, and in hot water tanks.

These same qualities are essential in the textile industry, in laundries, chemical works and dyehouses; in food handling installations of hotels, restaurants and hospitals; in canneries and packing houses; in power plants and a host of other industries.

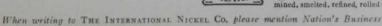
You find Monel Metal used wherever wear or corrosion or rust call for a metal that can stand up under their attacks. And also where its clean, lasting, silvery beauty is a sales asset of more than ordinary value.

Possibly there is a place for Monel Metal in *your* business. Drop us a line ...we will tell you how others in your particular industry are using Monel Metal to their profit.

THE INTERNATIONAL NICKEL COMPANY, INC., 67 WALL STREET, NEW YORK, N. Y.



donel Metal is a registered trade-mark applied to an alloy containing pproximately two-thirds Nickel and one-third copper. Monel Metal is nined, smelted, refined, rolled and marketed solely by International Nickel



banks can be insured.

So far as the individual is concerned, even the temporary plan will cover most of us. Out of every 100 depositors in the banks of the United States 95 do not carry more than \$2,500 on deposit.

Assessments will pay losses

WHERE do the funds come from to pay losses to depositors?

The Federal Government subscribes \$150,000,000 for stock in the corpora-

Each Federal Reserve Bank subscribes one half of its surplus for Class B stock. Total will be about \$140,000,-000.

Each insured bank subscribes for Class A stock up to one half of one per cent of its total deposits. This, on a basis of \$40,000,000,000 of deposits, would be another \$200,000,000 so that the Deposit Insurance Corporation will have nearly half a billion dollars from which to make deposits good. Moreover, this fund may be increased by assessment upon banks whose depositors are insured.

The immediate arguments for guaranty of deposits are plain. Such a measure would protect depositors, particularly small depositors who cannot as a rule have intimate knowledge of bank methods and management; it would restore confidence in banks; it would prevent hoarding; it would check the fear of runs which leads banks to limit credit in an effort to maintain their cash positions; it is a new and wise extension of the principle of insurance by distributing risks for the protection of all.

However, the buyer and seller of insurance have an option whether or not to enter into the contract. If the risk seems bad it is rejected. If the premium seems too high the buyer declines to go ahead. In the case of bank deposits there is no choice. The cautious bank must pay for the careless or the dishonest bank.

This leads naturally to one of the arguments most frequently advanced against any guaranty of bank deposits -that such guaranty would lead to careless, even reckless, banking. This fear is well summed up in this extract from a statement issued by the United States Chamber of Commerce:

The encouragement that is extended to unsafe banking methods results from the fact that, if the resources of the guarantee fund are considered ample for the immediate future, depositors have little fear of entrusting their funds to banks, which would otherwise not be in a strong position to attract deposits. When fear of loss is removed by such a system from the minds of bank depositors they are inclined to make the selection of their depository on the basis of liberal lending practices and the interest payments offered.

Forced participation in such a system as

surance is the same but only member has been proposed would mean not only that the strong, well managed banks would have to guarantee the losses sustained by the depositors in unsound or speculative institutions, but also that the conservative banks would have no way of protecting themselves against the competition of the careless, unduly liberal or high profit seeking banks.

> There is not a general agreement on this point. I have talked with bankers and lawyers for bankers who believe that the result will be quite the contrary. Here is the gist of their argument:

> Guaranty of bank deposits will tend to raise the standard of banking ethics. Banks will be very watchful of their neighbors when they realize that they may have to help pay for their neighbors' misconduct. There will be much more careful watch of other banks. The Clearing House Associations are going to exercise a much more careful scrutiny of their members. Take any modest sized city. Loans may in theory be confidential but in practice any good sized loan is known and talked over. If a bank is taking an unwise risk in taking a large loan, the other banks in the community are going to warn or watch the lending



Eugene R. Black

Federal Reserve Governor

Until ten years ago, a lawyer in Atlanta, Ga., his native city. Then he became president of the Atlanta Trust Company. Shortly afterwards he became governor of the Federal Reserve Bank of Atlanta. His new job involves the task of preventing speculation under the Glass-Steagall

bank. I am not at all sure that the argument that deposit guarantees will break down the bankers' morale is a valid one. It may work the other way.

The guaranty provisions of the bill may affect and perhaps affect unfavorably the willingness of the banks to make loans. Bankers express a fear that banks will undertake to keep themselves, at least until the new provisions

go into effect, in a too liquid position. to carry too large a share of their assets in government issues and cash. Another point that bankers raise is this:

Separate from the insurance features of the bill, but an important part of it. is the clause forbidding the payment of interest on demand deposits. As far as individual deposits are concerned the change is not an important one. It is, however, important as it affects corporation deposits and still more important as it affects deposits in larger centers of banks in smaller communities. The Glass-Steagall bill had hardly become a law when demand deposits of out of town banks in the New York banks began to move out. Within ten days after the bill was signed some \$325,000,000 of demand deposits had been taken out of the New York banks.

Limiting security loans

NEXT in importance and interest to the general public among the provisions of the bill are those relating to the separation of banks and their security affiliates, and designed to restrict collateral loans in the hope of preventing speculation. The Federal Reserve Board may from time to time fix for each reserve district the percentage of a bank's capital and surplus which may be represented by loans on stock and bond collateral. In no case can more than ten per cent be lent to any one person.

As to security affiliates the new provisions of the law are thus summarized:

After June 16, 1934, no member bank may have as an "affiliate" any corporation, association, business trust or other similar organization engaged principally in the issue, flotation, underwriting, public sale, or distribution at wholesale or retail or through syndicate participation of stocks, bonds, debentures, notes or other securities. For violation of the above, a member bank may be assessed by the Federal Reserve Board a penalty not exceeding \$1,000 for each day the violation continues; the assessment may be collected by the reserve bank by suit or otherwise. If a national bank continues the violation for six months after being warned by the Federal Reserve Board to discontinue, all its rights, privileges and franchises under the National Bank Act may be forfeited; if a state bank member, all of its rights and privileges as such member may be forfeited.

Member banks, however, are not barred from dealing in securities. They may purchase and sell securities upon order and for the account of customers. A national bank may buy for its own account under such regulations as the Comptroller may fix, but not more than ten per cent of any one issue, nor can such a purchase exceed 15 per cent of the capital of the bank or 25 per cent of its surplus.

Other affiliates such as trust company affiliates, holding affiliates for bank real

(Continued on page 64)

World Business Speaks at Vienna

By JOHN GREGG, Secretary, American Section, International Chamber of Commerce

IN JUNE, just two weeks before the World Monetary and Economic Conference opened in London, nearly 1,000 business leaders from 35 countries met in Vienna at the Seventh Congress of the International Chamber of Commerce.

Among them were such men as Silas H. Strawn of Chicago, director in many companies, an outstanding figure in the business life of the Middle West; Alberto Pirelli of Milan, manufacturer of cables, tires and of innumerable rubber products; Rene Duchemin, chemical manufacturer of France; Georges Theunis, banker and former Prime Minister of Belgium; Sir Arthur Balfour, Sheffield steel manufacturer, and Sir Alan Anderson, shipowner, from Great Britain; Kurt Weigelt, General Director of the Deutsche Bank und Disconto-Gesellschaft of Germany, and many others eminent in the business and financial life of their countries.

More than 50 delegates attended from the United States, a greater number from Germany; strong representations from India, and from the Far East; 56 great international organizations participated. Altogether these men spoke for two million business men.

What motive induced these men to travel thousands of miles for this Congress?

Primarily their interest was the improvement of world trade. "What," they asked, "can be done to renew the normal exchanges between the owners of cotton mills in Prague and Warsaw and the cotton grower in Alabama and Texas?" What could they suggest to help the automobile manufacturer in Detroit sell cars in Copenhagen, in Stockholm, or in Berlin?

Certainly these men should know what they are talking about. They are engaged every day in developing trade with other countries. They have watched this trade decrease until in 1932 its value dropped to less than 40 per cent of that in 1929. During the first quarter of this year it has continued to decline. International investment is practically paralyzed. Government budgets are out of balance, and credit normally available to business is swallowed up by bond and note issue to cover governmental deficits. Worse than all these is the staggering number of 30,000,000 un-

ONE thousand world leaders of industry, commerce and finance, met in Vienna in June and drafted definite proposals for ending the deadlock in world trade. Their views are discussed here

employed workers throughout the world.

Every nation is trying to increase its exports and decrease its imports. Fantastic restrictions upon the purchase of anything but the most essential raw materials and foods from outside their borders have been imposed. A bushel of American wheat pays a duty of \$1.62 before it enters Germany, \$1.07 before entering Italy and 86 cents before its movement into France. Moreover, each of these countries requires from 95 to 100 per cent of all wheat milled to be home grown. If a manufacturer outside Austria sells tires to a dealer in Vienna his money must stay in an Austrian bank in shillings subject to the fluctuations of exchange and to political accidents until he can get authority from a governmental agency to purchase foreign exchange and transfer his money out of the country.

Suggestions for relief

THESE men were not critical of their governments; they looked forward hopefully to the meeting of 66 nations at London whose task it is to remedy these conditions. Recognized by the organizing officials of the World Conference as peculiarly competent to suggest what might be done, these men had been invited to forward to the London Conference proposals for governmental action which business interests believe would bring relief.

Here is what the International Chamber suggested:

First—Governments should stabilize their currencies in relation to one another and to gold.

Second—Governments should abolish or reduce restrictions on the movement of goods, capital and services.

Third—where overproduction exists, especially in raw materials and food-stuffs, governments should assist producers to make agreements curtailing production.

Why do business men want the currencies of the world to have a fixed relation to one another and to gold?

The foreign exchange controls established in some 24 countries provide one convincing answer. Merchants struggle in vain to sell their goods abroad in the face of these obstacles. Naturally, a business man who buys or sells goods in another country must always allow for the usual fluctuation in the price of what he is buying or selling. When to that normal risk is added a gamble in foreign exchange, he finds it almost impossible to do business. A tire manufacturer in Akron needs rubber. Possibly he may contract to pay in pounds sterling; when his shipment arrives, he finds that the pound sterling will, because of exchange fluctuations, cost him 20 per cent more in dollars than when he placed the order. How then is it possible for him accurately to fix his costs or his prices on the finished product?

On the other hand, he wants to sell those tires abroad. Good markets await him in Hungary, in the Balkan countries and in the Near East but his customers' money is in pengos, or dinars, or some other national currency and must be transmitted into dollars. I talked to an American in the tire business in Vienna.

"Yes" he said, "I have built up a good market here. In spite of falling business, I sell my quota and more. But it looks as if we'll have to close up."

I asked him why.

"Too much money tied up in foreign currencies," he replied. "About the only way you can get money out of these

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customs.

Competitive conditions in world markets create an even worse situation.

England has a good market for cotton goods in the Mediterranean countries. Japan, always a stiff competitor because of low labor costs, depreciates the yen to one-half its gold value, and begins to take away these markets. England's answer is to lower prices by further depreciation of the pound. New Zealand, Denmark and Australia get into the same kind of a fight because of competition in agricultural products. So it goes all over the world, bringing a continued fall in the volume and value of world trade.

Business men made specific suggestions to stop this. Balance governmental budgets, they insist, especially by reducing expenditures; coordinate central banking policies; remove at least the most fantastic of the trade restrictions; settle intergovernmental debts; and, as soon as possible, reach a de facto stabili-

zation of currencies.

'Remove or reduce barriers to trade" is a long standing plea. Governments proclaimed it at the World Conference in 1927. The International Chamber has fought for it unceasingly since 1920. Such progress as was made before 1929 was lost when the depression began.

To encourage trade

BUSINESS men say there are ways of accomplishing the desired end. Commercial treaties can be revised on a basis of mutual concession on those goods whose production is especially suited to each country: groups can get together to lower tariffs gradually-a proposal already undertaken by Holland and Belgium; above all, as soon as possible, vicious limitations upon imports created by foreign exchange controls, quotas and other so-called "quantitative" restrictions upon trade should be removed

Stabilized currencies and removal of trade barriers will go a long way toward raising prices, says the report of the International Chamber of Commerce. But how about the great stocks of raw materials and foodstuffs that have been accumulating since before the depression began? Cannot something be done to help this situation?

among producers to curtail production. making such agreements. Unless this is must finally depend.

countries is to smuggle it through the done they believe national bankruptcy will continue. Credits totalling billions granted to develop these countries will be lost to thousands of investors in Europe and the United States,

> Such agreements are wholly practicable. Already the tin production of the world has been curtailed by agreement, with a resulting reduction of stocks and a better price.

> The sugar producers of Java, Cuba and other portions of the world have agreed upon curtailment of production which promises success.

> And above all, these business men insist, let us not undermine through government action established ideas of international morality and willingness to keep a promise. Let nations maintain



A. E. Morgan

Chmn, of the Tennessee Valley Authority

For years a national figure in flood control work. Wrote Minnesota's drainage code in 1905 and in 1907 became a supervising engineer in Government drainage investigation. As a private engineer in Memphis, Tenn., and Dayton, Ohio, wrote reclamation codes for Arkansas and Mississippi; conceived the legal code known as the Ohio conservancy law and, as engineer, built the works that protect many Ohio cities from floods. As trustee, later president, of Antioch College, he was influential in adoption of the Dean Schneider Plan by which students receive practical business experience as part of the college course. Sees his present task as a "chance for sociological experiment" as well as a business project.

Business men advocate agreements their obligations to the limit of their ability, and thus reestablish that con-They suggest that governments assist in fidence upon which any real recovery Snap out of afternoon

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Watching Washington

(Continued from page 20)

are being urged to raise wages and cut hours to create buying power, and to forego some of the profits they might ordinarily make until cyclical influences have produced a momentum which will sustain a permanently higher level of prices and production.

The logic of this proposition seems obvious. The professional economic planners have it nicely planned and charted. Heads of industries who come to Washington recognize the merit of this idea in the abstract. But it is against human nature in many respects and therein lie possibilities of a

breakdown.

Business Control

BUSINESS submitted to government police control because it was scared and because it saw a chance to get the antitrust laws knocked out. It did not relish having its labor

policies fixed by government authority but agreed to this to get other things it wanted. So the National Industrial Recovery Act was passed. There has been much stirring around to get trade agreements and codes of fair competition worked up so that the era of production control and price security could begin.

Actual experience, however, is cooling the fervor of some trades, as to the benefits of a controlled industry. Groups which have presented their programs to General Johnson have made an admirable demonstration of economic statesmanship. Under the searchlight of public attention they have reached accords with labor and entered agreements calculated to aid their whole industries. It is a little like being publicly psychoanalyzed. The spectacle is chilling to some trades.

What will the Government do as business continues to hold back on wage boosting agreements? Apparently the Industrial Recovery Administration will have to choose between two major policies. It can make further concessions to industries in the way of price and profit assurances, thereby sweetening the dose of labor concessions. This policy would make for continuation of private enterprise under a system of voluntary submission to government supervision.

If this fails to bring industry into line in a substantial way, the alternative is dictatorship. The Recovery Act grants ample dictatorial powers. It empowers the President (General Johnson acting) to impose wage-working hours-production-price conditions upon whole industries. It permits Government to say whether or not an individual business can operate. The complete project of a planned national economy under government direction could be carried out under the law. This alternative is being formulated as a last resort.

You can be sure, however, that the administrators do not relish the job of dictatorship. They are practical men who know their limitations and the grief that would come from such an undertaking. Moreover, they know that even dictatorship might fail to bring that wholesome state of well-being which is the aim of all efforts.

A fair guess as to the outcome, therefore, is that the first alternative will be adopted; that business will be given wider leeway to combine on production and price matters. This should stimulate business during the next few months. Under this policy a considerable measure of profits should be forthcoming. Present momentum should be projected through the summer months.

There still remains the problem of the recalcitrants. These will bring grief to enforcing officers. If they compel resort to licensing by the Government, the Government's capacity to cope with mandatory control of business will face a severe test.

What Will Be The Next Step?

THE licensing provision expires ten months from now. The whole Industrial Recovery Act expires a year and ten months from now. It is not too early, therefore, to ask what will

come next. An attempt probably will be made in the next session of Congress to extend the licensing provision and to strengthen the whole Act in other respects. It is doubtful whether Congress will do these things. As the end of the trial period approaches, business will grow more and more reluctant to cooperate in the great experiment of partnership with Government.

Antitrust Laws

THE two-year waiver of antitrust laws may be regarded as a period of probation. If industries curb some of their profit instincts and devote their energies to giving employment and

to rationalizing production, it is likely that the Sherman Act will be forever trimmed of its horns.

Otherwise, the prospect is the return to government restriction of private industries under antitrust legislation. Such a course would lead further and further toward government regulation and control and the socialization of industries. There is evidence that most business men do not realize fully the chance they have to shake off permanently the shackles of the Sherman Act. It may be that they prefer the old order to the alternative of regimentation under a scheme of governmentally planned economy.

Aid To Agriculture

ADMINISTRATION of the Agricultural Adjustment Act involves most of the problems of the Industrial Recovery Act and some others. It is a bundle of magic powers where-

by many things may be done. Bit by bit these powers are being accomplished. It is too early to say whether these results will be permanently good or permanently bad. It is possible, however, to forecast such near-term effects as crop reduction, processing taxes, control of marketing and processors, and increased incomes for farmers for the next year or two. Beyond that no calloused observer can safely predict enduring success.

Agricultural Credit

WITHIN the next few months it will become generally realized that a complete governmental banking system for farmers is being established under the direction of Henry Mor-

genthau, Jr. The four agencies are the Federal Land Banks, Intermediate Credit Banks, Crop Production Banks, and Banks for Cooperatives. Insurance companies and other financial institutions, including local state and national banks, will be deprived of business, and interest rates will be affected all down the line.

The \$2,000,000,000 farm mortgage refinancing program will not show important results for another month or two so far as individual mortgagors are concerned. In the meantime, ambitious plans are being made for relieving rural banks of farm mortgages, thereby unfreezing large assets,

and easing credit situations in small communities. Mr. Morgenthau, by the way, is one of the most efficient and effective members of the Roosevelt staff.

Home Mortgages

THE Federal Home Loan system is being extended into every county. Actual taking over of existing home mortgages by the new Home Loan Corporation will come slowly and never will reach the total of \$2,000,000,000 authorized. There will be enough such transfers, however, to release new mortgage money and bring down interest rates on home mortgages.

Federal charters for building and loan associations and creation of new home loan associations through government capital represents another step in the direction of federalization of banking and finance. There is ground for the belief in some quarters that individual savings hereafter will flow more directly into home loans through home loan associations instead of the savings bank route.

Government Finances

PEOPLE ask why government bonds hold up in the market despite obvious intentions of the administration to make dollars worth less than they now are. The answer partly is that Federal Reserve Banks are buying and are ready to buy more if the market weakens. Thus, holders of government bonds see from day to day that they can still get what they paid for their bonds and are reassured. Liquidity is a potent factor.

Most investors probably realize by now that their dollars will be less valuable in six months, a year, or two years. Probably they can get back a thousand dollars for the thousand they put into a bond but the dollars they get back may buy only half as many bushels of wheat as the investor sold to get the dollars with which he bought the bond. If one decides he should sell his bonds and buy goods or common stocks, he still faces the problem of what to buy. Nimble investors, however, continue to bid for stocks as long as the dollar depreciates and prices of commodities rise.

The Budget

THE budget is getting less balanced than at any time since the war period. It seems certain that the public debt will surpass the high point of 1919. Interest on the debt will go beyond the billion a year mark. This means high taxes for many years. We shall have to start all over again in the next two or three years trying to dig out from under the crushing burden of government expenditures.

Of course, there is the so-called *ordinary* budget which is getting near to a balanced position. Increased revenues due to the pick-up of business and the

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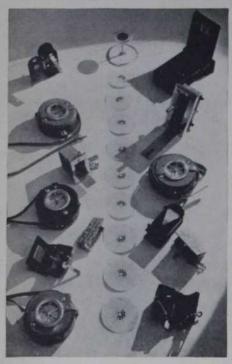
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higher price level are beginning to show up in Treasury statements. Certain government activities have been reduced sharply. New emergency expenditures, however, greatly outweigh other economies. It is interesting to note just how all this new financing is done.

Two Budgets

WE cut the veterans, and we cut many old-line government services. We reduced government employees' salaries 15 per cent. Then we raised taxes to war levels. Revenues promise about to pay for the items formerly included in the *ordinary* budget. That is called balancing the budget!

But several billions of new undertakings have been authorized as emergency measures. We don't put these in the ordinary budget. Some of these are in the nature of capital advances which are supposed to be repaid. A considerable portion of these expenditures, however, are permanent contributions to emergency relief which we shall have to pay for when times get better. The technique of circumventing the ordinary budget is this: The Treasury sells its bonds to the public; the Treasury lends to the Reconstruction Finance Corporation. The R.F.C. then advances funds for all sorts of emergency projects. The whole transaction is called "capital account" and does not appear in the ordinary budget. It looms large in the public debt figures, however.

Farley

THE civil service system is being disrupted. In the name of economy, thousands of workers in the classified civil service, many of whom know no party lines, are being separated from careers. Many other thousands of new employees are being hired to carry out the so-called emergency activities. The latter are good Democrats, with preference for those on the Farley list of pre-convention Roosevelt supporters. The tradition of a permanent personnel of merit employees gradually built up since Theodore Roosevelt's time is being badly shattered. This is reported here merely as a matter of concern to taxpayers who have a dollars-and-cents interest in efficient government administration.

Public Works

THE \$3,300,000,000 public works program is hitting snags. Under the surface a strenuous contest is on as to the method of procedure. Secretary of the Interior Ickes, when he took charge of the program, tried hard to do an honest job of keeping out the grafters and corrupt politicians but there are signs that the politicians, being better schooled in getting things done, "outsmarted" him. Thus, the prospect is for approval of a

great many projects of doubtful merit, scattered widely so as to satisfy the greatest possible number of politicians.

Inflation

PEOPLE who have been waiting for Roosevelt to use some of his powers of inflation will be surprised one of these days when the dollar is suddenly revalued in terms of gold at about 60 or 65 per cent of the former value. Before that happens, however, the dollar will have sunk in foreign gold exchange value to about the point at which it is to be revalued. The real devaluation is going on now; formal devaluation will be merely labeling a fait accompli.

After that, what? It looks as if the attempt will be made to maintain something like the 1926 price level by contracting and expanding currency and credit. In fact, a strong fight will be made in the next session of Congress to write this policy into law.

Miscellaneous Projections

THE Glass banking act of 1933 probably will be revised. Non-member state banks may find it advisable to wait a while before deciding to "go federal."

Washington reporters are having fun asking Attorney General Cummings, "When are you going to start prosecuting gold hoarders?" It would be hard to place a bet that he ever will start.

It is assumed in Washington that eventually the world will get back on some kind of gold monetary base, but that it will not be the old gold standard. Governments will have gold reserves for currency, but holders of currency will not be able to trade it for gold.

There is considerable opinion in Washington that the London conference will be conveniently forgotten—never reconvened after a summer recess. One observer commented, "We went to a horse swapping match and didn't even have a horse."

The next phase of our national policy will be hard for foreign traders and international cooperators to bear. We are going to keep our tariffs, and adopt some new ones. Exporters will have to find their markets without the aid of commercial attachés. We shall talk disarmament with other nations, but go ahead renovating our navy, taking nothing for granted. Americans who lend money to foreigners will have to do their own collecting. We shall see what happens when a government deliberately goes in for economic nationalism.

The public criticism of Roosevelt policies which seems to register the strongest comes from Democratic, semi-democratic, or independent organs of public opinion, such as the St. Louis *Post-Dispatch*, the Baltimore *Sun*, the New York *Times*, and Alfred E. Smith's *New Outlook*.

Giving the Home Owner Protection

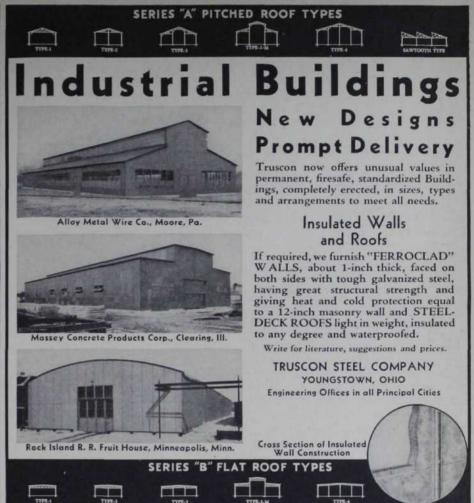
(Continued from page 26) why it is thought essential to set up new building and loan associations, the Board's explanation is that distressed property owners find it difficult to get accommodations from banks.

To provide for direct access to the relief agencies created by the bill, and to make provision for the individual to deal directly with the corporation, the Federal Home Loan Bank Board will name a manager and necessary assistants in each of the states and in the District of Columbia, and loan applications will be handled through these local agencies, passed upon by attorney and appraisers, and forwarded to the Home Owners' Loan Corporation in Washington for final review. Announcement of the appointment of these managers, and the location of their offices was to be made early in July.

Applications studied locally

AN APPLICATION for a loan from the corporation will be first received by branch or state offices, whichever is nearest the residence of the applicant, and will then be referred to the county appraiser. There will be an appraiser and lawyer in each county. The appraiser, after evaluating the property, will report to the state office and the title to the land will be referred for approval to the proper county lawyer. His effort will be passed on by the appraiser in the state office and referred to Washington for final approval. Then the loan will be made and the mortgage on the applicant's property transferred to the corporation. While this work will be conducted by the branch offices the board in Washington reserves the right to review and reject loans, and will set up a committee to handle this work.

In net, the intent of the new corporation and the hope of its administrators, as its chairman, William F. Stevenson has said, is to refund with its bonds and, in a limited way, with its cash those mortgages which are in a condition moving toward foreclosure. Immediately in view are the inviting possibilities of saving half a million homes. That this relief would amount to a gain in public morale seems obvious enough. Possibly the removal of the distressed property from the real estate markets would steady quotations with a consequent support to the general price structure. With the variables what they are in receptivity to the bonds, it is no unfriendly commentary to say that the success of this constituent part of the "new deal" will depend largely on the imponderables of human nature.



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Developments in Distribution

GOVERNMENTAL policies relating to production may profoundly affect distribution, but whatever their effects, individual initiative and ingenuity will still command premiums

A MAIL-ORDER house has leased the grocery department in its Dallas retail store to a large grocery chain. A department store in Brooklyn and another in Chicago have leased their drug departments to a large drug chain. Perhaps these events portend a new shift in the mechanism of distribution—in large department stores, say, the operation of food, drug and certain other departments by chain organizations which specialize in those lines. When the large department stores are themselves parts of a chain the picture grows confusing.

"SHANTY" restaurants have made their appearance in New York. Low prices they charge for foods are ascribed to low overhead, not cheap foods. Simplicity rules in fixtures as well as construction. Such counter eating places are said to be adaptations to the restaurant field of the western "pineboard-front drug store" idea.

A DALLAS (Tex.) electric refrigerator distributor has enrolled more than a dozen independent grocers, all serving charge-account trades, as dealers for his refrigerator. He argues that a grocery is a logical place to sell refrigerators—many housewives visit them daily, grocery delivery boys can readily report on customers' refrigeration facilities, a grocer selling meat and milk can talk refrigeration convincingly to customers. He gives grocery customers no chance to miss his refrigerator displays—they hold the center of the grocer's floor.

AN INDIANAPOLIS furniture store recently staged "A Century of Progress in Home-Making Exposition." In cooperation with club women of the city, exhibit rooms were set up, one showing home equipment of a century ago, another home equipment of today. The two displays extended the story of the century's progress to the simplest household devices. Music and lectures each afternoon helped attract visitors.

A CLEVELAND department store has opened a plumbing and heating division handling everything in that line from sinks to furnaces; advertises that trained heating engineers are ready to help customers select the proper heating equipment for their homes.

AND in Bridgeport (Conn.) a department store is selling bronze cemetery monuments "complete with inscription as you desire."

"DATING" of goods is extended to a new field—china—by a New York department store which has announced a "five-year plan" in that connection. It guarantees that it will keep a specified list of patterns in stock for at least five years, advertises the importance of this open-stock guarantee to newlyweds, advising bridegrooms that "when a housewife knows she can replace a broken dish, domestic accidents are far less likely to assume the importance of a national catastrophe."

A NEW YORK department store aids sales of men's linen suits, a Tulsa department

to sell the goods and receive payment before their own installments became due the manufacturer. To take care of credit losses, the manufacturer agreed to reimburse distributors for such losses up to two per cent of their gross sales under the plan.

MILADY is finding emergency aids to beauty in vending machines, posted in strategic locations, which dispense a package of facial tissues wrapped around a small tube of cold cream. "Refresh your Loveliness" (for a nickel) invite posters.

THE "free lunch" with the beer of yesteryear has been put into reverse by a Washington grill. It advertises free beer with your lunch between 4:00 p.m. and closing time a 15 cent sandwich brings the purchaser a 15 cent bottle of beer.

ADVERTISING space is now being sold on railroad dining-car menus. Two systems have adopted the plan, using eight-page folders with the menu on the center spread, two half pages of editorial matter, six advertisements, placed on a monthly basis.



The problem of waste disposal at A Century of Progress is solved by "waste baskets on wheels," parked about the grounds by day and assembled into trains by night to be hauled away

store sales of wash dresses and men's snirts through arrangements with laundries by which purchasers may have the first laundering of the articles done free.

A "RETAIL credit plan" was recently used by a ginger-ale manufacturer to break the credit jam. All orders received from distributors during May were billed one-third due in 45 days, one-third in 60 and one-third in 90. Distributors, in turn, extended datings to retailers on quantity purchases on a basis of one-third in 30 days, one-third in 45, and one-third in 60. Thus distributors were enabled to finance their retailers without tying up their own capital, since ample time was allowed distributors

ODD LOTS: Spices are now being vacuum packed; one company offers them in glass containers, usable as salt shakers when empty. . . Several makers of grocery items are offering false faces as premiums; both comic-strip folk and movie stars are portrayed. . . . A new cake-flour carton has a crank-operated metal sifter built in. . . . A bus system has opened a through, New York-Chicago package express run, using special coaches. . . . A new home mayonnaise mixer being promoted by a vegetable oil maker is giving mayonnaise manufacturers food for thought.

-PAUL H. HAYWARD

EDITOR'S NOTE—Further information on any of these items can be had by writing us.

What Has Been Done to Veterans

(Continued from page 22)

less cases which did not seem to fall under this definition. There was, for instance, the case of the veteran who served in the Student Army Training Corps from October to December, 1918; who never left the campus and was discharged in good health.

Three years later he filed a claim for compensation, was examined and sent to a tuberculosis hospital. He was treated there at government expense, got \$57.50 a month from his war risk insurance and \$100 a month compensation. He died in 1930 after drawing \$17,010 and his widow gets \$30 a month and \$57.50 a month on his insurance.

This was the sort of thing to which the public objected. It was the sort of thing that Congress was aiming at when it passed the Economy Act, describing the persons who were entitled to service pensions and empowering the President to issue regulations prescribing how those pensions should be paid.

Under this Act four classes of persons were declared eligible for pensions. With one exception, all of them were persons disabled in active military or naval service or the dependents of persons killed in such service or who died from a service connected disability. The exception was for Spanish War veterans, past 62 years of age and entitled to pension at the rate of \$6 a month. The bill also fixed November 11, 1918, as the official end of the World War.

In accordance with the authority given by the Economy Act, President Roosevelt issued regulations. They covered 27 pages, typewritten, single-spaced, and they lopped \$460,000,000 off the cost of veterans' administration.

They made this saving in several ways:
They cut off practically all presumptive cases and dependents of all presumptive cases, and eliminated payment for non-service disability except when that disability was total.

They threw out prewar occupations as a basis for compensation.

They reduced the pay of veterans of any war disabled while in service by lowering the base rate from \$100 to \$80. If such men were injured after the Armistice their compensation was to be based on the regular army rate.

They put the disabled into five classes, disability being rated at 10, 25, 50, 75 or 100 per cent. Previously there had been no such groups.

They discontinued hospitalization for acute cases of non-service disability, but provided care for permanent cases where man was unable to care for himself.

They increased the pay of Spanish

War veterans with service connected disability to the World War rate.

They reduced the pay of Spanish War veterans with non-service connected disability. Veterans of this war who were past 62 were to be paid \$6 a month unless totally disabled. In that case, they were to draw \$20.

They reduced the compensation of dependents of Spanish War veterans whose death was not service connected to half the previous rate.

These regulations caused a tremendous stir. Nobody who was affected liked them. Even the provision raising pay of Spanish War veterans was attacked. Although 70 per cent of the living veterans of this war were on the rolls, only a few of them claimed service connected disability and records of this conflict were so meager that it appeared many of them couldn't prove their claims no matter how just they were.

Smaller disability allowances

THE reduction in the number of compensation ratings also brought complaint. Under the old law a man rated as 45 per cent disabled drew pay on the basis of 45 per cent disability. Under the new grouping this man would draw pay on the basis of 25 per cent disability and this technicality, added to the 20 per cent cut in compensation, resulted in sharp reductions.

As a result of the storm, President Roosevelt drew up a second set of regulations, amending the first, and somewhat more lenient.

They reduced the rates only ten per cent instead of 20.

They increased the five-steps in the rating schedule to ten-steps.

They increased the rate for nonservice permanent total disability from \$20 to \$30.

They increased the rate for Spanish War veterans with total disability to \$30 and increased the rate for veterans of this war past 62 years old to \$15 a month.

They raised the rate of the regular establishment from three-eighths to one-half the war time rates and proposed to compensate for injuries in expeditions conducted in peace time (as in Nicaragua) at the war time rates.

These changes were estimated to reduce the total saving from \$460,000,000 to \$410,000,000.

They did not satisfy Congress. It was still possible to show apparent inequities and they were brought forward in numbers.

Congress, of course, was powerless to

alter these regulations. It had empowered the President to make them and to put them into effect. A way was open, however, by which it could nullify them. This way had been provided by President Hoover's pocket veto of the Independent Offices Appropriation Bill. Included in this measure was the appropriation for Veterans' Administration. It had passed Congress and been submitted to President Hoover shortly before he left office. When he neglected to sign it, it became necessary for the new Congress to pass it again if there was to be money to operate a large number of government establishments.

By amending this bill to include appropriations for services which the presidential regulations presumably discontinued, it would be possible for Congress to make the new regulations practically inoperative. Several such amendments were proposed and discussed.

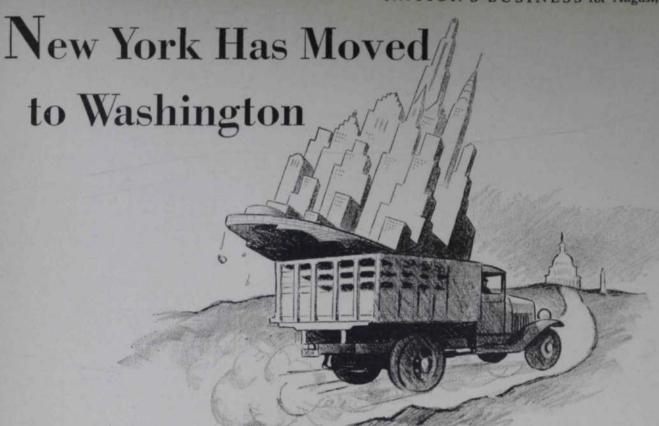
We need not go into them in detail. An effort to follow all the ping-ponging step by step is confusing and tedious. Out of it all came a compromise between the House and the President. This agreement softened the blow against the presumptive cases. It provided, in the first place, that the presumptives be kept on the rolls at 75 per cent of their old rates of compensation until boards appointed for the purpose could study their cases and determine how much, if anything, they were actually entitled to receive. It provided that the dependents of presumptive cases should be kept on the rolls at the old rate; that Spanish War veterans, between the ages of 55 and 61 should receive \$15 a month if 50 per cent or more disabled.

It restored the regional offices to the Veterans' Bureau organization and decreased the total reduction another \$40,000,000.

Under a special and stringent rule by the House Rules Committee, this proposal passed the House with only one change. The steering committee extended the period for keeping presumptive cases on the rolls to October 31. The tentative date had been September 30

The House compromise did not find favor in the Senate. There proposals were made—dealing chiefly with payments to Spanish War veterans—which would have added another \$118,000,000 to the President's regulations. It appeared that these proposals would pass. It appeared further, that if they did, the House might abandon its compromise agreement and join the Senate in accepting the new figures.

This was the row that delayed ad-



TOTELS in Washington are full of salesmen, seeking their share of a three billion dollar market.

The chairman of the board of a Wall Street bank sits in an ante-room of the Treasury Building—in Washington—waiting to discuss a technical question in the Glass-Steagall bill.

The president of a chain store group is in Washington for a meeting with executives of competing chains—to agree on trade practices that will meet the approval of the Industrial Control Administrator.

Thousands of business men are in Washington—the new business capital. Other hundreds of thousands who cannot come to Washington are getting answers to their questions from NATION'S BUSINESS—the one recognized, au-

thoritative interpreter of government to business and business to government. Located across from the White House, Nation's Business has a unique advantage in operating at the new center of activities. It has an advantage in experience—seventeen years of editorial concentration on this job of keeping business men informed of what to expect—from government, from their own businesses and from their competitors.

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WASHINGTON

journment. Through it all the President held the whip hand. He was in a position to threaten that, if Congress increased the appropriation and did not at the same time pass a tax measure to produce the money, he would veto the whole Independent Offices Bill. It seemed apparent that friends of the proposed changes could not muster sufficient votes to override a veto.

The Congressional Record bulged with oratory. Capitol corridors swarmed with lobbyists. Newspapers printed editorials picturing Congress as having its tail over the line and the blissful amity between the executive and legislative branches of the Government as ended.

Then Congress adjourned. It appeared an agreement had suddenly been reached on the strength of the President's promise to ameliorate hardships and to agree to other changes.

As a result of this agreement, the final regulations carry these provisions:

Pensions of veterans of the Civil War and Indian Wars, and their dependents, have been reduced a flat ten per cent.

Veterans of the Spanish-American War, Boxer Rebellion or Philippine Insurrection will receive \$15 a month if 62 years old or more.

Veterans of these same wars will receive \$15 a month if 55 years old or more and 50 per cent disabled.

No veteran of the World War with service connected disabilities shall receive a reduction of more than 25 per cent if he entered the service before November 11, 1918.

Compensation of dependents of the World War will not be reduced.

Compensation of dependents of Spanish War veterans whose death was not service connected will be cut in half.

Presumptive cases will be continued on the rolls at 75 per cent of the previous rate. The future reduction depends entirely on the boards of review.

Figures showing the changes in appropriation made possible by this agreement appear in the chart on page 22.

Industry Tries the New Deal

(Continued from page 19)
ment to become embroiled in employeremployee controversies, except where
the Act plainly requires attention to
the principal code provisions of wages
and hours.

The apprehension that the Act would be the vehicle for unionization of industry through the power of Government seems to have been largely unfounded, at least on the face of the early developments.

It seems likely that the working out of the Act, and the application and enforcement of codes, will give to the organization of labor unions somewhat the same stimulus that has been given to the organization and membership growth of trade associations, but such growth in both cases is the product of the basic idea of cooperation, rather than the result of intent or action on the Government's part.

A factor obscure in the early stages but of growing importance lately is the increasing influence of uniform systems of cost accounting within industries. In lieu of flat agreements as to prices, it seems likely that the codes in most industries will simply forbid units within the industry from selling below cost. That means below their own costs as determined by a system of uniform accounting, rather than below average or standard costs for the industry.

Perhaps the original fears least borne out by actual developments have been those to the effect that the Act would end competition between units within an industry. Now the chances seem to be that competition will go on the same as ever, if, indeed, it will not actually be intensified. The only difference is that competitive differentials resulting from low wages or long hours or subnormal working conditions, will be ruled out. Competition hinging upon techni-

cal proficiency or superior quality may be keener than ever.

Some industries are hesitating to file the so-called "partial codes" urged by Gen. Johnson who had emphasized the need for bringing the largest possible number of industrial plants and employees under regulated conditions as to hours and wages. Along that line, industries have been urged to agree on those points, and then have such a partial code approved with the idea of coming back later with their detailed amendments and additional provisions.

The whole code ties together

DISCUSSING this plan an important producer in one fabricating line said, "It is not that we lack confidence in the Administration, nor that we want to delay. But all these provisions are interdependent and should all rise or fall together. We cannot risk increasing wages and reducing hours without being sure that we have the guaranties which will permit us to sustain the prices which will have to finance such hours and wages. What kind of position would we be in if we should get approved a partial code radically changing our wage payments, and then perhaps be held up for months or for all timewithout any element of bad faith being involved-in obtaining approval of the provisions concerning other competitive practices that vitally influence our ability to pay wages?"

Those who talked a few weeks ago about disregarding the Constitution have been materially sobered by the transition of the plan from the status of a bill to that of a completed Act. When the first serious questions were asked about constitutionality, application of the Act to intrastate commerce, prosecution of violators and licensing

provisions there were those who asserted boldly, "The Constitution? What has it got to do with it? A moratorium has been declared on the Constitution."

That talk is no longer heard around the headquarters of the Act's administration. Procedure is being framed to avert troublesome questions of constitutionality. Code provisions that would be most likely to attract challenge on such grounds are being examined carefully, and those that are most doubtful are being sidetracked for the time being.

On the whole, it seems premature now to attempt to appraise the results to which all this amazing ferment ultimately may lead. All that is eligible so far is an impression of what actually has happened to date. An Act has been passed, better than the tumult surrounding its birth might have suggested. An administration has been set up, more energetic and skillful than hasty governmental endeavors usually are. Codes of fair competition are being filed, more carefully drawn than would seem likely by the time given them. Industry is acting, more harmoniously and swiftly than its leaders once thought possible.

If the present pace is maintained, it seems safe to say that the majority of important, interstate, producing and fabricating industries will be operating under officially approved codes before snow flies.

In the meantime, before the codes have been put in operation, the forces which the Act hoped to set in motion are actually moving. Wages are being increased. Employment is being spread. The Department of Labor estimates that 1,600,000 men have been put to work since the end of March. Unemployment relief rolls in the large industrial centers are showing the first appreciable shrinkage in four years.



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Things Talked about in Wall Street

By a Staff Writer of NATION'S BUSINESS

NEW YORK, JULY 11
DIVIDE Wall Street into two
groups, the bankers and the brokers and, of course, they overlap
but you can say this:

The bankers with the Glass-Steagall law and the still untried Securities Act have had plenty to worry about and a fair amount of time in which to worry.

The brokers with four and five million share days, with a public eager to buy and sell not only securities but commodities of every sort have been too busy to worry about the future effects of legislation. In June of this year more shares were sold on the New York Stock Exchange than in any previous June in its history and more than in any month except October, 1929.

Deposit insurance

ABOUT the time the new Bank Act became a law and for a few days thereafter there was much talk that some of the larger banks in New York and perhaps in other metropolitan centers might withdraw from the Federal Reserve system and go their own ways under state charters. The reason given was disapproval of the deposit insurance feature of the bill. Outwardly, that talk soon died down, but there were murmurs of discontent and quiet discussion of the possibility. Most comment was that there was no escaping the Government and that if deposits were to be insured, the tendency of the banks would be to get in rather than to get out of the Reserve system.

New York to pay heavily

NEW YORK banks would, of course, be the largest contributors to the guaranty fund. It was figured that 20 per cent of the whole amount would come from New York and that the Chase would contribute about five per cent.

Banks are liquid

WITH the new banking law and the new Securities Act full of uncertainties and awaiting interpretation, there was no tendency on the part of bankers to look favorably upon commercial risks.

As a result, their June 30 statements

showed an almost unprecedented liquidity. Cash holdings were heavy and government securities, particularly short term, were large. The Bankers Trust Company, with \$657,000,000 of deposits, had \$323,000,000 in governments and \$127,000,000 in cash.

The Continental Bank & Trust Company in announcing its position not only put down in customary form its resources and liabilities but listed its "first line liquid assets," which included cash and due from banks, call loans to brokers, governments, New York State and City bonds and other marketable securities and set the total of \$44,000,000 against its deposits of \$46,000,000.

Long-term governments

WHAT interest would the United States Government have to pay on a long term loan, say 20 years? There's a good deal of speculation on this point and so far no real test has been made. Guesses run from three to four per cent and bankers are wishing that the Government would shift some of its short terms to long and give them a better line on what the price of money is likely to be.

Commodity Trading

THE new Commodity Exchange which opened the other day offers facilities for future trading in rubber, silver, silk, hides, copper and tin. Cotton, grain, cocoa, coffee, sugar and butter and eggs will be traded in on their own exchanges.

One brokerage firm lists these commodities in which it will execute orders:

Rye	Silver	Cocoa
Wheat	Tin	Hides
Corn	Copper	Lard
Oats	Rubber	Butter
Barley	Sugar	Eggs
Flax	Coffee	Silk
Cotton	Cotton Seed	Oil

A pretty broad list, but still it doesn't include wool which may be dealt in at the Wool Association of the New York Cotton Exchange.

Prices in dollars and gold

A COMMON question is this:

"Has the dollar gone down or prices gone up?" Or put it another way.

"If we'd stuck to the gold standard, where would wheat be now?"

The July National City Bank Bulletin made this answer:

It is a misinterpretation of the situation to assume that the depreciation of the dollar in the foreign exchanges has been principally responsible for the price advance. Sentimentally it has had an important influence, since it measures the expectation of inflation; but its direct effect is very limited.

The Federal Reserve Board has made a study of the price of six staples important in international trade which shows that between February and the end of May they rose 30 per cent in British sterling quotations, and 60 per cent in this country. This rise in British prices, which has been independent of currency fluctuations inasmuch as the gold value of sterling showed little variation between the dates given, is evidence of the genuine basis for the improvement, derived from the low stocks of manufactured goods, reduced surpluses of raw materials, and improved demand.

The seller bewares

BECAUSE of the Securities Act investment houses are treading on eggs in their published statements of new issues. The other day the Wall Street Journal carried an announcement that the International Mining Corporation "desires to record" the offering of some shares "by means of a prospectus" which can be had from the Corporation or from its agents, Lehman Brothers.

At the top of the advertisement was this:

This advertisement appears as a matter of record only and is under no circumstances to be construed as an offering of these shares or warrants, or as a solicitation of an offer to buy any of such shares or warrants. The offering is made only by the prospectus.

And at the bottom this:

No dealer, salesman or any other person is authorized by International Mining Corporation or by Lehman Brothers as its agent in connection with the offering to give any information or to make any representations other than those contained in the prospectus, and no person is entitled to rely upon any information or representation not contained therein.

Ol' Man Prospectus seems to be the security salesman of today.

Mr. Blodgett of Wisconsin was "from Missouri"



R. L. Blodgett, Assistant Secretary, National Mutual Benefit, Madison, Wisconsin. The Company's building and the boiler room where Iron Fireman burners are saving \$700 a year shown below.

When he had been

"shown everything" he selected

IRON FIREMAN

Automatic Coal Firing



Insurance Building, Madison, Wisconsin

Among other duties Mr. Blodgett manages the Insurance Building. He heard that something important had happened to boiler firing and that Iron Fireman owners were enjoying startling savings and improved heating conditions. So he investigated—not only Iron Fireman but every other kind of firing device. He went into the subject with a fine tooth comb. As a result, two Iron Fireman automatic coal burners were installed

Coal burners were installed from the Kewanee Boilers at the Insurance Building. Former fuel bills had averaged \$2300 a season. After installing Iron Fireman, fuel bills averaged \$1600, or a saving of \$700 a year, a fuel cost reduction of 30 per cent. "In addition to the saving in fuel cost," writes Mr. Blodgett, "we have maintained a more uniform temperature regardless of weather. It is gratifying to us that our investment in the Iron Fireman is paying for itself during these times when it is so necessary to watch operating costs."

it is so necessary to watch operating costs."

Anyone who pays fuel bills either for a residence, building, institution, or business enterprise, is invited to write us for free literature and for a free survey of his fuel and firing costs.



J. E. Kelley, Building Supt., and Iron Fireman automatic coal burners which are saving the National Mutual Benefit \$700 a year.

IRON FIREMAN

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AUTOMATIC COAL BURNER

IRON FIREMAN MANUFACTURING CO. 3170 W. 106th Street, Cleveland, Ohio.

☐ Please survey my heating plant Type of business

Residence

Nume

N. Albania

When writing please mention Nation's Business

The Depression Army Moves to War

(Continued from page 30)
duty with the Corps, there were some 8,000 Army enlisted men so engaged on July 1. These included non-commissioned officers and enlisted men. Pay of the latter is about \$17.86 a month—less than that of the forestry workers they help supervise, incidentally. A rough, conservative average of the pay of enlisted men and non-commissioned officers might be struck at \$20. This would add \$160,000 to the monthly pay roll.

Totalling these items—and it should be remembered that they are rough and unofficial approximations—we have a monthly pay roll of some \$13,500,000. To this should be added salaries of the headquarters group in Washington.

Chief among the other costs of the Corps is food. The ration allowance for each of the workers is 33 cents a day, which would bring the monthly grocery bill for 314,000 men to \$3,108,600.

Clothing, equipment, shelter, transportation, hospitalization and the numerous other items incident to keeping such an army in the field doubtless will bring the total monthly cost somewhere near Budget Director Douglas' estimate of \$20,000,000. The War Department's official list of purchases of major items for the first two months of the Corps' existence, for instance, totalled \$7,220,-266. It included articles ranging from 2,275 motor trucks and 300 passenger cars to 2,500,000 yards of denim. It did not include the much-discussed toilet kits or other items purchased by agencies other than the War Department.

Transportation is costly

TRANSPORTATION provides another costly item. Some 55,000 of the workers, for example, were sent from the east coast to camps in the Far West. Up to July 1, 211 special trains had been handled, carrying a total of 64,196 men. The vast amount of freight haulage necessary adds to the transportation bill, which remains unestimated at this writing.

What the total cost of this project will be there is no way of knowing as yet. If it is carried forward for the full two years authorized by law it may reach or exceed the half-billion dollar figure Mr. Douglas indicated in hearings. That sum would represent an expenditure more than a third greater than the cost of the Panama Canal.

The monetary returns from this investment are as difficult to estimate as its cost. There is no way of arriving at an exact figure of the benefits to the nation's forests.

Fire losses should be reduced, at least until new growths obscure the fire lanes and trails the forest army clears. Works such as lookout towers, fire guard cabins and so forth will be more enduring. One estimate puts the annual reduction in fire losses at \$18,000,000.

The reforestation work also will add thousands of acres to the timbered national resources and so increase the future annual timber crop yield.

Flood control, soil erosion and pest control work will add their values. It is impossible, of course, to reduce the returns from such work to dollars and cents.

It is even more difficult to estimate the intangible values of the project. What is it worth to the nation, for instance, to have more than a quarter of a million youths taken from the street corners and placed at tasks which should return them to their homes habituated to manual labor and in better physical health? Something, no doubt, in lessened crime bills as well as in the men's increased potential military value.

Helping relief agencies

MORE tangible is the shifting of a load from local relief agencies. The vast majority of the men are allotting \$25 of their monthly pay to their dependents at home. On July 1, for instance, the Government mailed out 300,000 pay checks, totalling \$6,250,000, to the men's families. This money, as well as the bulk of the other expenditures, is plowed back into industry and trade almost immediately.

The transporting of men and freight has aided the railroads, for example, and the vast purchases of supplies have helped to stimulate business.

While these benefits are both wide spread and substantial, it is patent that they are being achieved at heavy cost to the nation's taxpayers. As an unemployment relief measure, the forest army is costing the country some \$833 a year for each of the 300,000 men it is intended to benefit.

Leipzig Trade Fair

LITTLE affected by the depression, the Leipzig Trade Fair continues to attract exhibitors and buyers from all parts of the world. According to the official report, just issued, some 155,000 buyers from nearly 70 countries attended the Spring Fair.

The Fair included 6,292 exhibits representing every phase of industrial life. The report notes that many of the visiting buyers have remained in Germany to follow up business contacts made at the Fair.

The Market **Business Forgets**

(Continued from page 40) dependent owners; no central buying offices, versed in present day practices, so disconcerting to national manufacturers, such as consignment selling, long discounts and profitless concessions of a hundred and one varieties. You simply sell direct to the camp owners.

Another almost unheard of situation today exists in this tourist camp market. There are no serious credit problems. These independent tourist camp owners, living on the premises, adhere to that now almost obsolete idea of

buying "for cash." How long this setup will last cannot be predicted, but right now, these attractive assets of the tourist camp industry and market should stir up some responsiveness from manufacturers on the alert for new and profitable outlets; modern large scale outlets catering to 30,000,000 persons yearly, and when they are in a holiday, spending mood.

Oddly enough, excepting those in the building and lumber industries, the average manufacturer has failed to recognize the real possibilities in this gigantic tourist camp industry. Only a few nationally known manufacturers have assiduously cultivated it with nation-wide selling campaigns.

The well built and properly equipped tourist camp represents an investment of at least \$250 a cottage without furnishings and equipment. Completely equipped, a cottage entails an average cost of \$925. The addition of restaurant, filling station, garage service, grocery, showers, swimming pool and similar services brings the investment in many of these camps to more than \$50,000. Not a bad prospect for the building and lumber trades in these lean years.

As to the manufacturers of resale products, the one national company which has done an outstanding promotion job in this tourist camp market is The Continental Oil Company, Denver, Colo. This organization has surveyed the entire tourist camp field from coast to coast. Through its Conoco Travel Bureau, Continental Oil Company provides free cottage camp manuals for every section. In these manuals, it lists recommended camps.

Coco-Cola is another national concern which has not neglected this tourist camp market. Colgate-Palmolive-Peet Company and Lever Brothers are now devoting extensive sales effort as are a number of leading manufacturers. But there is opportunity for plenty more. And these days, no manufacturer can afford to ignore a bonanza.

Guaranty Trust Company of New York

MAIN OFFICE 140 Broadway

MADISON AVE. OFFICE Madison Ave. at 60th St.

LONDON

BRUSSELS

LIVERPOOL

HAVRE

Condensed Statement, June 30, 1933

RESOURCES

Cash on Hand, in Federal Reserve Bank,	
and due from Banks and Bankers	\$ 249,332,300.94
U. S. Government Bonds and Certificates.	482,920,173.19
Public Securities	75,975,692.67
Stock of the Federal Reserve Bank	7,800,000.00
Other Securities	24,975,205.41
Loans and Bills Purchased	491,098,292.13
Real Estate Bonds and Mortgages	2,655,085.74
Items in Transit with Foreign Branches .	6,985,873.89
Credits Granted on Acceptances	83,214,878.18
Bank Buildings	14,202,829.83
Accrued Interest and Accounts Receivable	5,954,375.91
	\$1,445,114,707.89

LIABILITIES

\$ 90,000,000,00

33,277,860.33

Surplus Fund 170,000,000.00 Undivided Profits 7,266,269.98	
	\$ 267,266,269.9
Accrued Interest, Miscellaneous Accounts	
Payable, Reserve for Taxes, etc	6,940,262.6
Acceptances	83,214,878.1
Liability as Endorser on Acceptances and	
Foreign Bills	72,102.0
Deposits \$1,054,343,334.79	

1,087,621,195.12 \$1,445,114,707.89

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Outstanding Checks

WILLIAM C. POTTER, President

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ROBERT W. GOELET Real Estate
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Under the Recovery Act

* * *

... each industry can take advantage of enlarged opportunities by working together.

Trade Associations

. . . are now being organized, reorganized and expanded.

Perhaps your industry is looking for information on how to organize, how to finance a trade association, what activities should be undertaken. Or perhaps your industry is looking for a capable trade association executive.

We can help you develop a constructive program for your industry—can help you find the trade association executive you need. Write—

Trade Association Department Chamber of Commerce of the U. S. WASHINGTON, D. C.



Questions the Bank Bill Raises

(Continued from page 48) estate are permitted, but under new and sharper restrictions. A further step to divorce the business of dealing in securities from that of commercial banking is found in the section that, after a year from the date of the enactment of the bill, no person, firm or corporation engaged in issuing or selling securities may engage "in the business of receiving deposits subject to check." This provision would directly affect the large private banking houses. Under the New York law they have not been subject to examination since they received no deposits of less than \$7,500.

One of the main purposes of the Act, as expressed by Senator Glass, is to prevent the use of Federal Reserve credit for speculative purposes. In addition to requiring the divorce of security affiliates and restricting the right of banks to deal in securities for their own account, limitations are placed upon the making of brokers' loans. Moreover, the Federal Reserve Board is authorized to penalize member banks which engage in speculative operations, by denying them the privilege of loans at the reserve banks.

The new Act also widens the powers of the national banks to establish branches. In general the law now provides that whatever a state bank may do a national bank established within that state may also do. This extension of branch banking is not considerable. More than half the population of the United States lives in these six states: New York, Pennsylvania, Illinois, Ohio, Texas and California. Of these, only California permits state-wide branch banking. Yet the step is toward, rather than away from, branch banking.

A step on the same path is the recognition and regulation of group banking.

These are major provisions of the bill which concern the business public. Other sections deal more specifically with the internal management of the banks.

Of these the section which most disturbs the bankers is that which authorizes the Comptroller of the Currency, in the case of national banks, or the Federal Reserve Agent in the case of state member banks, to remove any director or officer who in his opinion has violated any law or has continued "unsafe or unsound" practices. The "unsafe or unsound" phrase seems to many bankers to give to federal authorities a dangerous, almost an autocratic, power over banks in the Federal Reserve system-and the whole tenor of the bill is to send banks into the system. What may seem "unsafe and unsound" to one banker in one section may, they suggest, be both safe and sound to another banker in another section.

With other provisions of the new law which affect the bank's internal management there will probably be criticism but not violent opposition. That member banks must have not less than five nor more than 25 directors; that directors should own a substantial amount of the stock; that the double liability to national bank stockholders should be removed in view of the deposit guaranty—all of these seem reasonable.

The removal of the double liability clause for stockholders of national banks will make holding such stock more attractive. Nor is there likely to be opposition to the clause requiring that national banks should have a capital of at least \$50,000 in communities of 6,000 or less and in communities from 6,000 to 50,000 a capital of \$100,000 or more. In still larger cities the minimum is to be \$200,000.

The effect on business

I HAVE tried to set forth some of the major provisions of this new bank act as it applies to the customers of the bank and as it relates to the banks' own internal economy. There is a bigger question which can only be answered speculatively.

What does it mean as regards our American ways of doing business?

Time only will answer that.

If I were to guess I would say:

 That the deposit guaranty clauses will drive practically every bank into the Federal Reserve system, so that we shall increasingly have a centralized banking system under control from Washington.

That branch banking will increase, that the small community bank under individual management will disappear.

3. That commercial, investment and savings banking will be more and more separated. Investment banking under the Glass-Steagall Act and under the new securities bill has a period of readjustment ahead of it. Under the new Act, savings funds in member banks will, of course, share in the guaranty and mutual savings banks may also come into the Reserve system.

4. The future of real estate banking is uncertain. Banks in the Federal Reserve system will find fewer opportunities in that field; the Building and Loan Associations can only handle a part, the Government is in the field.

These last paragraphs are highly speculative, but it's not too much to say that with the new securities law, with the Glass-Steagall Act, with the entrance of the Government still further into farm and home lending, bankers will have to learn a new set of rules.

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This is one of a series of editorials written by leading advertising men on the general subject of advertising

The Public Has a Mighty Short Memory

WHEN the gale hit business, many an advertising appropriation had to be triple-reefednot a few had to be stripped to bare poles.

As blue patches appear in the business skies it will pay executives to reflect on what a short-lived memory the public has.

The sooner advertising is set to work again, the smaller will be the loss caused from poor public memory. No one can possibly measure how long public recognition of a trade mark or a service can last without advertising—but the business that doesn't start prodding memory just as soon as possible is taking a big chance.

Advertising appropriations don't necessarily have to start now at the high point of boom times. Advertising is for sale today at bargain figures-bargains that are bigger for the immediate buyers. Advertising that resumes before competitive advertising, gets the bonus of an invaluable head start.

It would have been a fool's counsel to urge all business to keep up advertising during the worst times. It is equally foolish to advise a former advertiser to put off getting before his public again until he has a nice, fat surplus—the public has too many things to think of to remember a business that doesn't make a bid for its remembrance.

H. L. WHITTEMORE Richardson, Alley & Richards Co. NashingTon, Nations Business is the one authoritative interpreter of what's going on hetmeen husiness and government

the profession that pays



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Accountants command big income. Thousands needed. About 12,000 Certified Public Accountants in U. S. Many earn \$3,000 to \$20,000. We train you thoroughly at home in your spare time for C. P. A. examinations or executive accounting positions. Previous bookkeeping knowledge unnecessary — we prepare you from ground up. Our training is supervised by Wm. B. Castenholz, A. M., C. P. A., assisted by staff of C. P. A.'s. Low cost—easy terms. Write now for valuable 64-page book, "Accountancy, the Profession that Pays," free.

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Bristol, England, is thriving. The Development Board, 1, Bristol Bridge may have some successful idea for you. Why not write?



A Distinguished Address You're near the White House, Treas-You're near the White House, Treas-ury, all Government Buildings, Thea-tre and Shopping Districts, when you

WILLARD HOTEL

"The Residence of Presidents"
Washington, D. C.
H. P. SOMERVILLE, Managing Director

Millions of Dollars Saved in 1932 by the owners of 37 billion dollars worth of property insured in Mutual Companies



EVERY property owner knows that it is vitally necessary to take advantage of every sensible economy to help balance the situation brought about by high taxes and low income.

Mutual fire insurance has brought a practical method of reducing one important overhead cost, to hundreds of thousands of property owners.

With the same initial premium rates as other types of insurance companies, mutual companies have returned millions of dollars in dividends to policyholders every year for many years.

These dividends are made possible by care in selecting risks; by strict economy in operation; by inspection of properties and expert technical advice to policyholders in fire prevention methods.

The seventy-four member companies of the Federation of Mutual Fire Insurance Companies have returned over \$43,000,000

to their policyholders in dividends in the past three years. Six Federation companies are over 100 years old. All of them are sound, well managed companies.

To any property American Mutual Alliance.



This Seal identifies a member company of The Federation of Mutual Fire Insurance Companies and the American Mutual Alliance. his insurance costs, a list of Federation companies will be of practical value.

owner interested in reducing

Write for a list today and an interesting outline of the *mutual* plan of insurance.

MUTUAL FIRE INSURANCE

An American Institution



THE TATE	TOD	TITTE	DOOKI	A. 3. 3. 3. 3. 3. 3. 3. 3. 3. 3. 3. 3. 3.
WRITE	FUK	THIS	BOOKE	

Federation of Mutual Fire Insurance Companies,

Room 2102-230 North Michigan Avenue, Chicago, Illinois.

Gentlemen: Kindly send me a list of Federation companies—also a full explanation of the operation and benefits of mutual fire insurance.

Name.

Address.



THE STEVENS DURING "A CENTURY OF PROGRESS"

The Westinghouse Elevators of the Stevens Hotel in Chicago are quietly serving thousands of guests every day. One of the world's largest magnificent hotels, the Stevens, in itself, is a remarkable example of the result of a century of progress.

Such comfort reflects modern service. It makes a good impression at once. But quiet elevator operation is the result of accurate electrical and mechanical engineering . . . the most efficient control of power. Westinghouse engineers have developed elevators to their most complete modern day conception.

There is every indication that building owners will soon find themselves past the low price remodeling period. Never before have fine elevators been available at such low prices.

Westinghouse Engineers make a special analysis of the vertical transportation problems of each building that is referred to them. Through their recommendations many building managements have been able to make substantial savings in elevator operation and maintenance.



Westinghouse Electric Elevators

No more need be said

